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Canada. Reconstruction and Re-Establishment  
Special Comm., 1942

SESSION 1942

(HOUSE OF COMMONS)

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(SPECIAL COMMITTEE)

ON

(RECONSTRUCTION AND RE-ESTABLISHMENT)

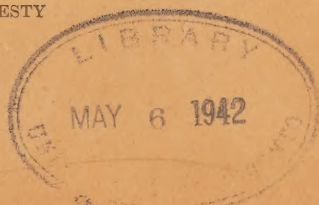
MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

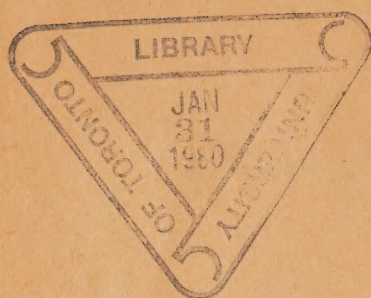
THURSDAY, MARCH 26, 1942

THURSDAY, APRIL 30, 1942

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942







## ORDERS OF REFERENCE

HOUSE OF COMMONS,

TUESDAY, March 24, 1942.

*Resolved*,—That a Select Committee of the House be appointed to study and report upon the general problems of reconstruction and re-establishment which may arise at the termination of the present war, and all questions pertaining thereto; with power to such select committee to appoint, from among the members of the committee, such sub-committees as may be deemed advisable or necessary, to deal with specific phases of the problems aforementioned, with power to said select committee and to such sub-committees as may be formed therefrom, to call for persons, papers and records, to examine witnesses under oath, and for such select committee to report from time to time to the House; and that the said committee shall consist of the following members: Messrs. Authier, Bertrand (*Prescott*), Black (*Cumberland*), Brunelle, Castleden, Dupuis, Eudes, Ferron, Fraser (*Northumberland*), Gershaw, Gillis, Gray, Harris (*Danforth*), Hill, Jean, Mackenzie (*Vancouver Centre*), Macmillan, MacNicol, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Marshall, Martin, Matthews, Maybank, Mitchell, Poirier, Purdy, Quelch, Ross (*Middlesex East*), Sanderson, Stirling, Turgeon, Tustin, White, and that the provisions of Standing Order 65, limiting the number of members on special committees, be suspended in relation thereto.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

THURSDAY, March 26, 1942.

*Ordered*,—That the said Committee be empowered to print from day to day, 1,000 copies in English and 400 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*







## REPORTS TO THE HOUSE

THURSDAY, March 26, 1942.

The Special Committee on Reconstruction and Re-establishment begs leave to present the following as a

### FIRST REPORT

Your Committee recommends that it be empowered to print, from day to day, 1,000 copies in English and 400 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

J. G. TURGEON,  
*Chairman.*

Thursday, April 30, 1942.

The Special Committee on Reconstruction and Re-establishment begs leave to present the following as a

### SECOND REPORT

Your Committee reports that twelve members shall constitute a quorum.

All of which is respectfully submitted.

J. G. TURGEON,  
*Chairman.*



## MINUTES OF PROCEEDINGS

THURSDAY, March 26, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11 o'clock, a.m. for organization.

The following members were present: Messrs. Bertrand (*Prescott*), Black (*Cumberland*), Castleden, Eudes, Gillis, Hill, Jean, Mackenzie (*Vancouver Centre*), Macmillan, MacNicol, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Marshall, Martin, Matthews, Purdy, Quelch, Ross (*Middlesex East*), Sanderson, Turgeon and Tustin.—22.

On motion of Mr. Bertrand (*Prescott*), Mr. J. G. Turgeon was unanimously elected Chairman. Mr. Turgeon took the Chair and expressed his thanks to the Committee for the honour conferred upon him.

On motion of Mr. Purdy, Hon. Cyrus Macmillan was elected Vice-chairman. Mr. Macmillan also expressed his thanks to the Committee.

Mr. Tustin inquired if the evidence would be printed, and after considerable discussion on motion of Mr. McKinnon (*Kenora-Rainy River*), it was ordered:—

“That the Committee ask leave to print from day to day, 1,000 copies in English and 400 copies in French of its minutes of proceedings and evidence.”

Mr. Martin suggested that Dr. James, Mr. Marsh and Mr. Glazebrook be permitted to sit in and work with the Committee.

Mr. Ross (*Middlesex East*) asked if the findings of Dr. James' Committee would be available to this Committee.

Mr. Black (*Cumberland*) suggested that a programme should be mapped out, and the question of appointing a subcommittee on agenda was considered.

Hon. Mr. Mackenzie (*Vancouver Centre*), informed the Committee that he would make a statement at the next meeting giving a resumé of what has been accomplished to date by Dr. James' Committee and others who have been investigating these subjects. In view of this it was decided to defer to a later date the appointment of a subcommittee on agenda.

On motion of Mr. Jean the Committee adjourned at 11.40 a.m. to meet again at the call of the Chair.

J. P. DOYLE,  
*Clerk of the Committee.*



THURSDAY, April 30, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11 o'clock, a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Bertrand (*Prescott*), Black (*Cumberland*), Castleden, Eudes, Ferron, Fraser (*Northumberland*), Gershaw, Gillis, Jean, Mackenzie (*Vancouver Centre*), Macmillan, MacNicol, McDonald (*Pontiac*), McNiven, Marshall, Martin, Matthews, Purdy, Quelch, Ross (*Middlesex East*), Sanderson, Stirling, Turgeon and Tustin.—24.

*In attendance were:* Mr. Walter S. Woods, Associate Deputy Minister of Pensions and National Health; Mr. B. W. Russell, K.C., Department of Pensions and National Health; Mr. Robert England, Executive Secretary Rehabilitation Committee; Mr. McKay, Secretary to the Reconstruction Committee, of which Dr. James is President.

Hon. Mr. Mackenzie, Minister of Pensions and National Health, gave to the Committee a comprehensive account of the work accomplished by the Committee on Demobilization and Re-establishment.

On motion of Mr. Matthews a vote of thanks was tendered to the Minister for the very thorough and complete statement he gave the Committee on what had been done in the way of planning for the post-war period.

The Minister will be prepared to answer questions relating to his statement at the next meeting.

It was agreed that Dr. James would be called to give evidence at the next meeting.

On motion of Mr. MacNicol it was decided to ask to have the quorum reduced to twelve members.

The subject of agenda was discussed and the Chairman suggested that Mr. McKay, Secretary to the Reconstruction Committee of which Dr. James is Chairman, would be of great assistance to the Committee in arranging agenda.

On motion of Mr. Jean the Committee adjourned at 1 o'clock p.m., to meet again at the call of the Chair.

J. P. DOYLE,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

April 30, 1942.

The Select Committee on Reconstruction and Re-establishment met at 11 o'clock. The Chairman, Mr. James Gray Turgeon, presided.

The CHAIRMAN: Gentlemen, we have not a quorum yet, but the Minister's statement is the main business before us to-day, unless some member has some business which he wishes to bring up. I am going to ask the Minister if he will start his statement now and the clerk can take note of the time at which the quorum is reached.

I want to express the thanks of this committee for the Minister coming right to us and making his statement direct. I would suggest that we ask the Minister to make his statement to us without being subjected to questioning while the statement is being given so we will be seized of the whole statement before it is broken up by the answering of questions. Would that meet with your convenience? With your kind permission we will start.

Hon. Mr. MACKENZIE: Mr. Chairman and gentlemen, I just want to make one preliminary observation. I apologize for the length of this statement. Two-thirds of this statement is concerned with the work already carried out and with the work of the committee we had last year dealing with soldiers' rehabilitation. The last third deals with the general problem of reconstruction. I thought it would be advisable to have the background before the committee and place it upon the record before we commenced to deal with the exact terms of reference which is yours, in discussing the general problems of reconstruction.

Just over a year ago I had the privilege as Chairman of the Cabinet Committee on Demobilization and Re-establishment, to give evidence before the Special Parliamentary Committee on pensions and matters relating to the civil re-establishment of veterans, and also to engage as a member in the work of that committee of the House. Your chairman and vice-chairman were active members of that committee, your vice-chairman having through the long months from February until June, 1941, presided over its sessions and guided its deliberations. That committee gave a fresh impetus to progress being made in respect of veterans' re-establishment policy and administration. Though the terms of reference of this committee are different yet I trust it may be useful to this committee to have before it a summary of what has been attempted in the field of ex-servicemen re-establishment policy first, even at the risk of some repetition. I then wish to follow that summary with as full information as possible as to the stage reached with regard to post-war planning in respect of subjects more pertinent to your field of inquiry.

### *1. Rehabilitation of Ex-servicemen of the present war.*

In 1940 the Cabinet Committee on Demobilization and Re-establishment (P.C. 4068½) gave as much attention as was possible in that tragic year to the subjects referred to it, and formed an inter-departmental General Advisory Committee. Information was assembled, studies were begun, a pre-enlistment occupational history survey was started, and sub-committees were formed. So that by the end of 1940 a plan began to emerge; recommendations from sub-committees were forwarded through the General Advisory Committee to the cabinet committee, and were carried into effect by administrative order, order in council, or by the submission of bills in the house.

The parliamentary committee had before it last year the chairman and vice-chairman of the inter-departmental General Advisory Committee on Demobilization and Rehabilitation and a number of the chairmen of the subcommittees, and examined minutes and proposals, and by its report encouraged the advisory committee to continue its activities.

Last year the basic compensation measure was passed, namely, the Pension Act, and in this session of the house there are three bills relating to the provision of re-establishment facilities, in respect of two of which committees of the house have been set up and a further committee has been set up to deal with the question of canteen funds upon which a report was furnished by the Subcommittee on the Administration of Special Funds.

With regard to the parliamentary Committee on the Pension Act and veteran rehabilitation measures, there have been circulated to the members of the house on the 18th of November, 1941, and again on the 27th March, 1942, summaries of the action taken in respect of the recommendations of the committee. I need not refer to these in detail now, as it will be more convenient to take them up under the various headings as they occur in the text of this submission, but I ought to point out that most of the recommendations have been acted upon, and in one or two minor instances where it has not been possible to take action, the reasons are given. May I, therefore, deal in this summary with measures adopted.

### (1) *Pensions*

I need not offer any comment on the act which was passed at the last session of this parliament except to say that it has been received with great satisfaction throughout the Dominion. Perhaps, however, I ought to make it clear that the practice is being adopted of having pension entitlement considered in respect of every case discharged from the armed forces as physically unfit. When a member of the forces dies on service, or if his final medical board shows that a disability exists in him at the time of his retirement or discharge, the Canadian Pension Commission, after collecting relevant information through its medical and other officers, automatically rules thereon, also when other application for pension is first made similar action is taken. These are known as first hearings. When such an application is not wholly granted, the applicant is notified and has the opportunity of applying for a second hearing. This application must be made within ninety days of the date of mailing notification of the decision on first hearing, and if no application is made within this time, the case is closed and no further application may be entertained. In addition, when applying for second hearing, the applicant must submit to the Commission a statement setting forth all disabilities or disabling conditions for which he desires to claim pension. Thereafter, no claim can be made in respect to any other condition. Prior to second hearing the Veterans' Bureau of the Department of Pensions and National Health completes a summary of all available evidence relating to the claim and this is mailed to the applicant or such representative as he may direct. His complete claim must then be submitted to the Commission for decision within a period of six months of the date of mailing this summary by the Veterans' Bureau. Subsequent to this there are the usual arrangements for second hearing and appeal and the Veterans' Bureau is available to assist in preparing the case. This means that the administrative work of the Canadian Pension Commission is extremely heavy, but difficulty and possible recrimination will be avoided by the adjudication of entitlement awards as soon as possible after discharge from the forces takes place. The number of pensions arising out of the present war in payment on January 1, 1942, was as follows:



Disability .....	976
Dependents' arising from death .....	723
Total.....	1,699

In accordance with the recommendations of the parliamentary committee and with the exigencies in respect of special services occasioned by the course of the war, the facilities of the Pension Act and modified benefits have been made available to Dominion government civil servants serving abroad, Canadian Auxiliary Services serving overseas such as staff of the Canadian Legion War Services, the Knights of Columbus Huts, the Salvation Army and the Y.M.C.A.; merchant seamen under certain conditions; salt water fishermen; and A.R.P. personnel, in respect of disabilities incurred while serving. I may perhaps remark that the losses in our merchant navy have brought additional work to the Canadian Pension Commission.

## (2) *Treatment*

On January 31, 1942, the total number of patients being cared for in departmental and contract hospitals by the Department of Pensions and National Health was 5,525, divided as follows:

Last war .....	2,143
Present war .....	3,382

Every step has been taken to insure that the high standard of medical and surgical treatment accorded to our veterans be maintained, and that hospital accommodation and hospital facilities are in readiness to meet any emergency which may confront the country during the conflict.

When the war began, the Department of Pensions and National Health had very wide authority to grant hospital care and medical treatment to veterans of the last war. This was contained in P.C. 91, as consolidated in 1936 and subsequently amended.

It was found very soon after the new war broke out that this authority did not fully meet all the new problems arising out of the present war, nor could we exactly duplicate the methods pursued in 1916 and 1917.

In the last war, it will be remembered, the casualties cared for in our military hospitals continued to be members of the forces transferred from their active service units to a unit known as the Military Hospitals Commission Command. The men remained soldiers under military pay and allowances until treatment was completed.

We entered the present war with a chain of civilian hospitals operated by the Department of Pensions and National Health on a civilian basis. We took into these hospitals all military cases where it was considered that our facilities could be of assistance to the armed services. When, however, the military medical authorities concluded that a man was not likely to be able to return to duty, his discharge from the forces was immediately effected regardless of whether treatment was completed or not. This sometimes had the result of cutting off the man's pay and allowances before treatment in our hospitals was completed and before it had been determined whether or not the man was pensionable.

In order to avoid any hardship which might result from this development it was necessary that new regulations be devised consistent with the nature of the problem as presented to us. There was a series of progressive measures, as a result of which our treatment regulations were amended and extended—the last extension being made in P.C. 115/9130 of November 22, 1941. As a result the department is now in a position to meet every meritorious requirement for treatment that has been envisioned thus—

1. On a man's discharge from the army the Department of Pensions and National Health is authorized to continue any treatment the man is receiving for 122 days after discharge, and to pay special allowances for family maintenance purposes;
2. It has been found that within the period of 122 days, the Pension Commission will be able to give its decision as to whether the condition for which the man is receiving treatment was attributable to service or not;
3. If the commission rules that there is entitlement to pension (even though the disability is so negligible as to be non-assessable for pension purposes) the man is entitled to treatment for his pensionable condition at any time throughout his life, and the usual treatment allowances will be payable;
4. If the commission rules that the disability is not due to service, the case may be reconsidered by the commission under the new section 11 (3), which permits pension to be awarded in cases of serious disability where it is found that hardship to the man or his dependents would otherwise result. If pension is awarded under section 11 (3), treatment for the pensioned condition may be given at any time, and the pension continues in payment during the man's hospitalization;
5. If the commission makes no pension award at all—but, in the opinion of the minister, the man's re-establishment in civil life will be facilitated by further treatment, this may be given, and there is authority under the Post-Discharge Re-establishment Order for the payment of allowances from which his family can be maintained;
6. A pensioner, at any time, may be given curative treatment for a remediable non-pensioned disability if he is financially unable to provide such treatment at his own expense;
7. Any man who has had meritorious service in a theatre of actual war may be given treatment at any time for a non-pensioned disability, provided he is unable to pay for it himself;
8. The several classes of persons, other than members of the forces, for whom pension has been provided under the Pension Act, have been made eligible for treatment by the Department of Pensions and National Health for conditions arising from enemy action. The following classes are included:

Personnel of the auxiliary services—such as the Y.M.C.A.—the Canadian Legion—the Salvation Army—and the Knights of Columbus Huts; salt water fishermen and seamen on ships of Canadian registry, and Canadian seamen on ships of foreign registry; A.R.P. workers; dominion government civil servants sent from Canada on duty.

It will be seen from the foregoing that practically every contingency that can reasonably be foreseen has been provided for in our treatment regulations.

There is, however, one broad category of ex-service men requiring hospital or institutional care for whom it has been felt that the Department of Pensions and National Health should not be called upon to provide such care. The ex-service men in this broad category are men whose disabilities are definitely not attributable to service, but whose disabilities are more appropriately considered to be a social service responsibility of the provincial governments. They include cases of tuberculosis and mental cases for which all the provinces now have suitable accommodation. They include cases of alcoholism and drug addiction for which the provinces have facilities, and which type of cases we do not believe should be brought into a pensions hospital. They include also the chronic or incurable conditions which again we regard as a social responsibility of the provinces.

It should be emphasized again that the Department of Pensions and National Health has the responsibility of caring for those whose disabilities are the result of war service. We go beyond that where the man has served worthily and our treatment facilities can be counted upon to restore him to useful civil life. But, the cases requiring long periods of treatment for conditions which did not arise from war service, we regard as a civilian responsibility to be dealt with by provincial authorities through the health services which come within their constitutional jurisdiction. The Department does not refuse responsibility for an incurable or for a man suffering from tuberculosis if the condition is attributable to service or was aggravated by service.

These cases which we do not provide for are cases which have been ruled as not attributable to service, and it is only right and proper that they should be dealt with as civilian cases.

### (3) *Vocational Training of Special Casualties*

Vocational training has always been a part of the work of the Department of Pensions and National Health in respect of those pensioners who had suffered disability precluding them from engaging in their former employment. It came as the end of a process which had begun in hospital with the physiotherapeutic measures taken under medical guidance. There has been much change in this whole field of rehabilitation of disabled service men. Patients who are sufficiently recovered to engage in an occupation, it is felt, should be encouraged to accept remunerative employment, since the lack of purpose and the unremunerative character of occupations formerly carried on in certain forms of occupational therapy tend to confusion of aim and consequent lack of interest on the part of the patient. Occupational therapy is, therefore, of a recreational nature and is closely related to treatment. In recent years the emphasis has been on physiotherapy and functional training, and on the other hand on the employment as quickly as possible of the disabled ex-serviceman in remunerative employment, so as to avoid the degeneration of hospital occupations into permanently sheltered employment, producing articles of doubtful value. Steps are therefore being taken to ensure that there is firm continuity and effective co-ordination in the physiotherapeutic and occupational therapeutic measures adopted, and in the functional training, vocational guidance, vocational training, and ultimate specialized placement of disabled ex-servicemen who are handicapped by their disablement in respect of the type of employment open to their choice. A consultant physiotherapist has been appointed, and physiotherapy technicians, additional masseurs and equipment are being secured for departmental hospitals. A survey is also being made of both the physiotherapeutic methods and equipment, and the occupational therapy, medical care facilities for functional training. The training of blind persons has been arranged for under the Canadian Institute for the Blind and St. Dunstan's in Great Britain, and the subcommittee on the Retraining of Special Casualties has under review from time to time facilities for other types of disablement.

In accordance with past practice and a policy which has existed since the end of the last war the training of those suffering from pensionable disabilities, unable to follow pre-war occupation, is authorized under clause 20 of P.C. 91 of 1936, and the training allowances vary from \$45 per month for a single man to \$97 per month for a married man with two or more children.

### (4) *Transitional Re-establishment Benefits and Facilities*

Before reciting the transitional benefits and facilities available to men discharged from the Canadian armed forces it might be appropriate here to point out that while the basic rate of pay for a private is \$1.30 per day (i.e., double the rate of pay of the United States private) there are opportunities



for augmenting pay by either acquisition of trade qualifications or of rank by promotion in the rapidly growing navy, army and air forces. Opportunities open to all have come within the reach of many thousands who, as a result, are in receipt of additional pay because of skill acquired or of promotion. While serving in the forces men are provided with clothing, rations, medical and dental care, and allowances for dependents. A dependent wife receives \$55 per month and may be available for employment to aid the war effort; while a dependent wife with five children may receive as much as \$94 per month inclusive of assigned pay and allowances. There has been set up a Dependents' Board of Trustees charged with the duty of investigating cases of need arising in the families of service men, and of making provision to meet emergency caused by illness or in any other way. Local committees have been set up throughout the dominion to receive information as to such cases and the Dependents' Board of Trustees is now in a position to give financial assistance where needed.

It should be remarked that no cost-of-living bonus could pay the premium on such a wide social security measure covering emergencies such as that provided by the institution of the Dependents' Board of Trustees' authority and organization.

In the case of single men, who constitute the majority of those enlisting, the regulations provide for the deferment of one-half the pay in respect of those serving overseas. Assignment of pay is taken into account in assessing the amount of deferment made. In consequence of this a single private who had served overseas for the past two years would have accumulated in two years upwards of \$480. Deferred pay is payable on discharge in Canada. When a man is discharged, if he has had more than six months' service, he is entitled to the following:—

- (a) Clothing. Men discharged from the Canadian army (active) retain army clothing and personal equipment and, in addition, are given civilian clothing allowance of \$35.
- (b) Transportation to place of enlistment or home.
- (c) A rehabilitation grant of 30 days' pay and dependents' allowances.
- (d) A war service badge and discharge certificate.

It is extremely important that the discharge certificate should be in order, as it is being found that members of the public too readily accept verbal statements of service without inquiry, and much misunderstanding would be avoided if before complaints are registered steps were taken to insure that the complainant has an authentic record of service in the Canadian armed forces.

Steps are being taken to see that men about to be discharged are advised as to the assistance which is available, and they are directed to apply to the Veterans' Welfare Officer of the Department of Pensions and National Health who is located in the employment office of the Unemployment Insurance Commission, or to the nearest employment office.

#### (5) *Employment*

The central problem in the civil re-establishment of a veteran is that of securing him remunerative employment. The Rehabilitation Committee has given careful attention to this subject in its subcommittee on employment, and as a result of study of the whole field the following measures have been adopted:—

- (a) As you are aware the Unemployment Insurance Commission is charged with the responsibility of establishing and operating an employment service. This essential service is rapidly taking shape and employment offices have already been established at over one hundred of the larger centres throughout the country. It was felt, however, that the Department of Pensions and National Health which is charged with the responsibility of civil re-establishment should establish a Veterans'



Welfare Division to advise and direct veterans in respect of all matters relating to civil re-establishment. The District Veterans' Welfare Officer is located in the employment office of the Unemployment Insurance Commission and will be able to advise veterans as to public or voluntary agencies which might be of assistance to them, and will also encourage employers to give preference in employment to discharged men. The Veterans' Welfare Division operates under the direction of the Associate Deputy Minister of the Department of Pensions and National Health, and in close liaison with local voluntary citizens' committees which have been set up in the larger centres. It must be appreciated that discharged men seeking information will be of many types. There will be those seeking employment; those wishing to avail themselves of land settlement opportunities; students wishing to resume their interrupted education; those wishing to resume previous employment; and those having pension and other problems. It is important, therefore, that some one officer should be able to counsel the discharged man and direct him to the appropriate agency designed to meet his emergency, and on the other hand that there should be cultivated in the community a desire to assist the ex-service man in getting on his feet again.

- (b) In June last there was passed P.C. 4758—The Reinstatement in Civil Employment Order. This has now become Bill No. 5, known as an act to provide for the reinstatement in civil employment of individuals who enlist for service in His Majesty's forces or who perform essential war employment. Already this measure has been useful in securing reinstatement in their previous employment of a number of men discharged from the Canadian armed forces.
- (c) Steps were taken by administrative order to ensure that preference in employment originating through dominion government war contracts should be given to veterans. In view of the wide area of employment afforded by work occasioned by government contract this preference has been of great service in securing employment for many discharged men.
- (d) There has been further extended the statutory preference granted to certain categories of ex-service men under section 29, sub-section 4 of the Civil Service Act to ex-service men of the present war who were resident in Canada prior to such service. This was done by P.C. 8541½, of November 1, 1941, which grants the preference to all members of His Majesty's forces who were domiciled in Canada prior to their enlistment in the present war.
- (e) Under the selective service regulations there has been an order which creates what is in effect a preference for discharged men in respect of what might be termed non-essential industries. P.C. 2250 of the 21st March, 1942, restricts employment in a large number of occupations to men under 17 years of age or over 45 years of age, or in possession of a certificate of honourable discharge from service in one of His Majesty's armed forces or in possession of evidence of having applied for active service in one of His Majesty's armed forces and having been rejected because of physical unfitness. Since the occupations listed in the schedule attached to P.C. 2250 cover most of the industries supplying consumer goods, this means that there is therefore, because of the operation of the preference in war contracts and this additional opportunity in non-essential industry, together with the civil service preference, practically an over-all preference for discharged men throughout the whole field of employment opportunity.

- (f) An occupational history survey has been conducted and a statistical analysis is now being made which will give a breakdown by age, pre-enlistment education and occupation of members of the armed forces. These data will be made available to the sub-committees studying employment, demobilization (priorities and methods), vocational training, and educational opportunities. Furthermore there will be made available a record of trade training, aptitude testing, and service in the armed forces. It is now recognized that the members of Canada's armed forces constitute a carefully selected group accustomed to psychological and technical tests and advanced training, and that their service record will commend them to the special consideration of employers as being, on general demobilization, physically fit, mentally alert, disciplined, and in many cases better trained than the corresponding civilian applicant for employment. It is recognized that the discharged man has the disadvantage of having been absent from his home district and therefore out of touch with employment opportunities, but it is hoped that the Employment Service of Canada will not only devise ways of overcoming this handicap, but will ensure that proper weighting is given in respect of those portions of the man's service record which constitute an added qualification for employment.

#### (6) *Vocational Training*

During the past year the War Emergency Training Programme has accorded the veterans of the present and of the great war a preference in accepting candidates for training. Subsistence allowances have been paid to those selected for such training and employment has been found for trainees in war industry. The War Emergency Training Programme has developed from the youth training facilities, and is carrying on in conjunction with the provincial governments and in close association with educational bodies throughout the dominion. These arrangements in respect of vocational training have laid a useful foundation for cooperation between the youth training organization of the Department of Labour and the Department of Pensions and National Health in respect of vocational training of discharged men, which will be very helpful in the period that lies ahead. The willing assistance of all provincial governments and educational authorities in this work has been a great source of encouragement to all of us who recognize that the task of rehabilitation of our ex-service men cannot be accomplished except with the utmost co-operation of all those bodies that are in a position to assist in this important work.

It will be recalled that the Rehabilitation Committee in a comprehensive report to the parliamentary committee during the past session filed a recommendation in respect of vocational training which goes far beyond the narrower view of vocational training established at the end of the last war. At that time vocational training facilities were restricted to those with pensionable disabilities who were unable, because of disability, to resume their previous employment, and to minors. It is recognized, however, that many men now serving have had little opportunity, prior to enlistment, to acquire a skill and unfortunately in many cases have not had the discipline or training of a job. The subcommittee on vocational training, therefore, recommended "that training should be given those who—on the recommendation of competent vocational guidance officers—are considered by age, aptitude and inclination as likely to benefit from such training."

This recommendation together with the recommendation of the subcommittee on interrupted education suggesting that provision be made for resumption of interrupted education, and reports of other sub-committees were given coherence in what is known as The Post Discharge Re-establishment Order,

passed on October 1, 1941, which I propose to discuss later. The provision made for subsistence allowances in respect of vocational training is wide, and the Department of Pensions and National Health is now proceeding to establish a vocational training division with a competent and experienced director to carry on the work. This division will have the following functions:—

1. It will carry the responsibility of the Department of Pensions and National Health with respect to the training of special casualties—such as amputees, the blind and others.

2. It will endeavour to secure continuity in the various stages leading to the re-establishment of such special casualties. These various stages may include physiotherapy, occupational therapy, functional training, vocational guidance, and specialized vocational training for the seriously handicapped.

3. It will approve the selection of those who are to be authorized to resume, with public assistance, the education which was interrupted by their enlistment. It will also generally supervise the continuation of their education which will, of course, be actually received in the universities and institutions of higher learning.

4. It will select and give vocational guidance to those physically fit discharged men—who are to pass into the vocational training classes operated under the Department of Labour—as envisaged by the vocational training coordination bill to be considered at the present session.

That is, the vocational training branch of the Department of Pensions and National Health will be responsible for vocational guidance with respect to all ex-service men who may be considered eligible for further training courses. The Department of Pensions and National Health will also administer vocational training for the seriously handicapped. It is proposed that the Department of Labour will, however, conduct the actual training of the physically fit men, who are awarded training courses as a means of fitting them for civil life.

Two circumstances not directly related to the rehabilitation program are going to be a great help in insuring that our discharged men have a measure of industrial skill. The first is the highly mechanized character of the modern army. Few men can serve in a modern navy, army or air force without acquiring skill in the handling and servicing of some type of machine—especially the all-important internal combustion engine which is the basis of the mobility of the army and is a tremendous factor in our ordinary industrial life. The training the men get in the army is going to be of help to many of them afterwards.

The second circumstance is the educational service sponsored by the Canadian Legion. Thousands of our serving soldiers are utilizing their off-duty hours to improve their education and training.

There have been many thousands who have applied for correspondence courses under the Canadian Legion Educational Services, and though in war-time many such may fail or find it impossible to persevere, it is a matter of considerable moment to know that thousands have completed at least part of the test papers in the excellent series of secondary education courses which have been prepared and in respect of which the provincial departments of education are granting credits. Much advantage of oral classes, library services, lectures, and directed reading, both overseas and in this country, has been taken. So that in addition to the ordinary service opportunities to acquire administrative and executive competency and trade and technical training, there has been created this useful non-service educational opportunity as a phase of the wide welfare work which is being carried on to maintain the morale of our men by recreational and cultural facilities. It is too a source of great encouragement to know the excellent work that is being done by the chaplain service which once again in this war is keeping before our men the values which remain constant both in military and in civil life.



There is another phase of this question of technical training which has been covered by the sub-committee on the resumption of interrupted education. Modern life demands professional and specialized skills and a great variety of talent and proficiency which has been given opportunity to mature in our institutions of higher learning. At the end of the last war there was a great wastage of this talent, and many who had begun their education never resumed it in the post-war period. We are to-day, in our air crews and in mechanized warfare, making use of the educational equipment of our young men as never before. Such academic attainments as they have in mathematics and the physical sciences have come as a result of the sacrifices of parents and of communities in keeping adolescents at high schools maintained at considerable social cost. We have been able to use this knowledge in war, and it is but right that these young men who have interrupted their education should return, and have an opportunity of acquiring professional or technical competence, and thus place at the disposal of the Dominion in the post-war period a disciplined and skilled intelligence in the variety of professionally and technical employments of our growing complex economy.

During the months that lie ahead steps will be taken to make a complete survey of the present facilities available to vocational training and to examine into methods of vocational guidance, aptitude testing, job analysis, types of training available, opportunities for training in industry, apprenticeship, and the transfer value of training and skills in the armed forces and the cousinship of such skills with civilian skills and training.

(7) *Articulation of Civil Re-establishment Benefits and Measures with respective emergencies of discharged men.*

In view of the various recommendations of the sub-committees dealing with employment, retraining of special casualties, vocational and technical training, and the resumption of interrupted education, it became necessary to relate the various proposals to the civil re-establishment emergencies of discharged men, and in doing so to ensure that there would be continuity and consistency in the policy adopted in respect of discharged men from the forces during the war and those discharged on general demobilization at the conclusion of hostilities.

The Unemployment Insurance Act became effective on the 1st July, 1941, and it clearly was necessary to insure that those members of the forces who on discharge returned to insurable employment should have parity under the act with civilian workers as from the 1st July, 1941. It was obvious that unless steps were taken to deem service in the forces as insurable employment and to have the government make contributions in respect of the employers' and employees' share in the particular class in which the ex-service man establishes himself in insurable employment, the ex-service man on discharge would be lacking in the social security in respect of unemployment which had been acquired by the civilian at home engaging in insurable employment. Out-of-work benefit, therefore, whilst awaiting employment had to be related to the conditions governing the payment of unemployment insurance benefit relating to physical fitness and availability for work, and willingness to accept training. Again there had to be consistency in respect of subsistence allowances payable whilst awaiting employment, undergoing training, resuming interrupted education or awaiting returns from a private industry or business; and eligibility for benefits or discretionary grants in respect of training or assistance in the civil re-establishment emergency had to be established within a limited period from the date of discharge so as to encourage prompter rehabilitation.

The articulation of the measures in force, existing social security legislation, and the civil re-establishment emergencies of discharged men are undertaken by



what is known as P.C. 7633 of the 1st October, 1941—The Post Discharge Re-establishment Order.

The emphasis of the order is on re-establishment; on employment, on vocational training and education, including higher education, to fit discharged persons for employment and to fill their due place in life; on getting men as speedily as possible, back into their normal places in industrial, economic, social and family life; on removing anomalies arising out of the Unemployment Insurance Act; on the counting of war service as insurable employment for those who return to insurable employment.

In consequence, under the terms of P.C. 7633 the minister is authorized to pay subsistence allowances to discharged men under the following circumstances:—

- (a) While taking a course of vocational training.
- (b) While completing an educational course interrupted by enlistment.
- (c) While awaiting returns from an independent enterprise upon which he may embark, such as farming.
- (d) While temporarily incapacitated from accepting work or from taking training because of a non-pensionable disability.
- (e) While awaiting employment opportunity.

In addition the members of the forces are brought under the Unemployment Insurance Act on similar terms and conditions to those which have been applied to civilian workers, except that in the case of the servicemen the government is to pay the contributions of both employer and employee into the insurance fund.

(a) *Vocational Training and Subsistence Allowance Grants.*

Grants in respect of approved training, which will fit the discharged men for employment or re-employment or keep fit or enable a discharged man to obtain a better or more suitable job, are payable, provided that the discharged man makes progress in the training. It should be observed that training allowances in respect of pensioners may be made as before under the terms of P.C. 91, but this provision enables a much wider constituency of discharged men to be served by training facilities and allowances. The Minister is not only empowered to pay the subsistence allowances, but also the cost of the training.

At the present time this work is being undertaken by the Youth Training administration of the Department of Labour, and it is proposed, in respect of much of this vocational training, that this will be done by the Department of Labour, but the selection of those who will be trained will rest with the Department of Pensions and National Health who will be responsible for the cost of training and the subsistence allowances.

The period for which training may be given is limited to a period equivalent to the period of service or a maximum of fifty-two weeks.

(b) *Allowances for Resumption of Interrupted Education.*

This provision covers a type of re-establishment which has become increasingly important owing to the standards of our modern economy. The order in council, therefore, provides that discharged men who are able to enter a university within fifteen months from the date of discharge may be made subsistence allowance grants together with payment of fees to the university throughout the whole period of their university course, provided such students can maintain their university grade and they merit and need such financial assistance.

We maintain our state educational systems primarily because the nation needs educated men in the professions and in the public service, and it is

highly important that among our educated leaders of the future as many as possible should consist of the young men who will have proved the quality of their citizenship by their war service.

It is recognized that the loss of three or four years in a young man's life cannot be replaced, and in many cases the war experience will have unsettled their minds; and in some cases they will have married and acquired family responsibilities.

At the end of the last war an attempt was made by educational institutions to make up for a little of the time lost by granting credits for subjects with, in many cases, resulting regrettable inadequacies in the educational equipment of the young men concerned.

Many ex-service men applicants for Civil Service advertised vacancies have found that the preference given ex-service men under the Civil Service Act does not, of course, cover any inability to pass the necessary examinations. Those who are familiar with Civil Service advertised vacancies and the higher demands being made in respect of Civil Service appointments will recognize that the Civil Service preference for veterans would be meaningless without the opportunity to qualify for appointment.

Already many of our universities have set up committees to plan for the reception of undergraduate ex-service men, and to ensure, wherever possible, that courses should be concentrated and accelerated so that these young ex-service men may not have their entry into professional life unduly delayed.

Particularly amongst our young airmen this forthright provision of opportunity for a career, which they and their parents had planned for, has made a very favourable impression and wherever parents have learned about the provision they have welcomed the action taken. From the standpoint of the labour market this provision will place for a year or two after the war in our higher institutions of learning many of our talented young people who otherwise would be trying to carve out a precarious future in a range of commercial and industrial occupations where there may be a surplus of applicants with similar limited scholastic accomplishments.

Those who have had occasion to study the place occupied by ex-service men of the last war in the higher brackets of administrative, executive, and professional life have been conscious of the lack of this provision in the years from 1918 to 1921. It is now clear that the serving sailor, soldier or airman will have the ladder of opportunity clearly placed before him and the provision of non-service remedial educational facilities through the Canadian Legion War Services constitutes a useful starting rung to the young man in the Services who wishes to profit by this opportunity.

(c) *Allowances while awaiting returns from private enterprise.*

Many of our ex-service men will return to private enterprise of one kind or another. The assumption that all are wage-earners or prospective wage-earners is erroneous. However, in many kinds of private enterprise there is a period of waiting before returns come in. Payment of allowances to men who fall into this category, for a limited period, is authorized. Up to date very few cases have developed which would warrant free exercise of this discretion, but it is clear that this provision will be extremely useful in many cases where the veteran embarks his deferred pay and other savings and capital in a small business or a farm enterprise and may be obliged to wait for some weeks before having adequate cash returns for living expenses. Perhaps at this point it ought to be noted that this provision and the provision for training allowances have been taken account of in the new Veterans' Land Bill. Applicants desirous of qualifying as settlers under the new settlement arrangements may be required to take training under the Post-Discharge Re-establishment Order, and in the event of ex-service men farmers resuming their occupation and await-

ing returns from their first crop, their emergency would be met under this particular provision of the Post-Discharge Re-establishment Order. This order, therefore, and the Veterans' Land Bill will be fully complementary.

It ought to be pointed out that this is a re-establishment order, and that the period of eligibility for all benefits (education grants excepted) under the order is limited to a period of eighteen months from the date of discharge, time spent in hospital being exempted. So that this emergency of the ex-service man engaging in private enterprise could not be extended indefinitely; for example, in the case of the farmer the period covered when awaiting returns would thus meet his first cash crop.

*(d) Grants while temporarily incapacitated.*

Under the terms of the Post-Discharge Re-establishment Order grants may be made to a discharged person while temporarily incapacitated from accepting work or from taking training by reason of a non-pensionable disability. As already explained under the heading of "Treatment", a discharged person, within a year from the date of discharge, may apply for treatment in respect of a non-pensionable disability, and the intention of this extension of medical facilities is to encourage the reconditioning of discharged men in the period of re-establishment so that remediable physical handicaps to effective re-establishment may be promptly dealt with and veterans' families provided for meantime. The key word in this grant provision is the word "temporarily" since if it is clear that the discharged person is completely incapacitated for work or training he cannot be eligible under the terms of this civil re-establishment order. But most of such cases will have come before the Canadian Pension Commission for consideration as to pension entitlement. There may prove to be some physically handicapped, completely incapacitated discharged men whose physical disability cannot be in any way ascribed to their military service but is due to other conditions, and as indicated in what has been said in regard to treatment, such chronic cases come within the scope of provincial institutions.

The whole purpose of this order is to move men into employment and to ensure that the type of benefit or grant which they receive should categorize the cases effectively, and thus enable the administration to deal with a definite class or type of case. Nothing but confusion would result if an attempt were made, under this order, to treat as rehabilitable or capable of being re-established, discharged men who are clearly permanently incapacitated for work or training in respect of a non-pensionable disability. Where there is pensionable disability, the case is taken care of under the terms of standard treatment, training and pension regulations of the Department of Pensions and National Health, as heretofore.

*(e) Benefit payments while awaiting employment opportunity.*

Since grants are to be made to assist discharged persons in need of training for entry into employment or while awaiting returns from enterprises on their own account, it is obvious that living allowances, that is out-of-work benefit, as provided in the order, should be provided to persons who do not need training and who are awaiting an opportunity to get back into the employment they left or into some suitable employment. In the phraseology of the Unemployment Insurance Act and the Post-Discharge Re-establishment Order, these payments are to be made to persons who are capable of and available for work, but unable to obtain suitable employment, and if required such persons may be obliged to follow such training or instruction as may be prescribed to fit them or keep them fit for employment or for re-employment.

It is probable that in the post-war period many persons in insured employment may be able to qualify for Unemployment Insurance benefit under the



Unemployment Insurance Act. It is an obvious corollary that the discharged person who served in the forces during the war period and who is capable of and available for work but unable to obtain suitable employment, should receive out-of-work benefit based on the period of service. From this position we may work back also to the logic of grants for training, etc., for in the absence of such grants out-of-work benefit would inevitably be paid, and with much less purpose than that paid to assist in education and in training.

In making out-of-work benefit payments account is to be taken of the eligibility of the discharged person for benefit under the Unemployment Insurance Act of 1940. This brings up at once the necessity of having the rate of out-of-work benefit and of the various grants reasonably consistent with the rate of benefit receivable by contributors under the Unemployment Insurance Act. It must be clearly held in view that the allowances, either by way of out-of-work benefit or grants for training, are subsistence allowances in respect of temporary emergencies relating to re-establishment. Whilst men are in receipt of these allowances they are not producers in the ordinary sense of the word. They are students, trainees, apprentices, learners, and as such the State is paying the overhead costs of the education or training being afforded them. It is a traditional and wise policy in respect of every economy that the student or learner who is undergoing a course of instruction with a view to securing more remunerative employment should in the meantime have a modest competence which would not encourage undue extension of the tutelage period. The goal is employment; the purpose of all training is the securing of a skill as quickly as possible, and the overhead cost of tuition borne by society and the State is only justified where there is real purpose and perseverance shown by the trainee, the student or the apprentice.

Most of the men concerned will be young men, unmarried men without large family responsibilities, and as indicated, will have some savings. It may be argued that there will be cases of heads of large families but such men would tend to be in the age group over thirty, and it is probable that their family responsibilities are such that they should be encouraged to resume the work which they had prior to enlistment.

In case such men have become handicapped by disablement they are provided for, as indicated, under the terms of P.C. 91. The rate of training allowance grants or out-of-work benefit under this order viz., P.C. 7633, is \$9.00 per week for a single person and \$13.00 per week if married. These rates are in line with present training allowances paid under the War Emergency Training Program, and are less than the rate paid under the highest class of the Unemployment Insurance Act. The \$9.00 per week is approximately the present basic rate of privates. The benefits or grants are thus less attractive than wage or salary rates, and avoid undue expectation of higher awards on completion of training, and may tend to reduce the number of candidates for training to those whose desire to improve their skill is genuine. There will be thus less tendency to overburden training facilities by the sentimental acceptance of unsuitable trainees. Training allowances and grants in respect of interrupted education take into account income from all sources including pension. It would be a grave misunderstanding of these subsistence allowances paid while a discharged person is in training or awaiting employment, if they were considered to be either wages or salary normally paid in return for the use of productive skill.

It may now be necessary to offer a word as to the provision which establishes parity under the Unemployment Insurance Act with civilian workers, as from July 1st, 1941, in respect of discharged men. Under the terms of the order the government will pay into the Unemployment Insurance Fund contributions of the employer and the employee required to insure that discharged men entering insurable employment after fifteen weeks, within a period of twelve

months after discharge to such employment, are credited with the period of their active service as if it were insured employment. Serious anomalies would arise if war service subsequent to July 1st, 1941, were not to be counted as insurable employment for those who return to or go into insurable employment following the war. It seemed to the government desirable that war service subsequent to July 1st, 1941, must count as insurable employment in respect of those who become established contributors in their post-discharge employment period. Under the order, therefore, a discharged person will not be deemed to have acquired any insurable employment rights until he has worked in insurable employment for at least fifteen weeks within a period of twelve months, since there would be no point in counting the war service of a discharged person as insurable employment except there is a reasonable presumption that he would be actually established in insurable employment with some degree of permanency. Under the Unemployment Insurance Act fifteen weeks per year is the minimum period for which an insured person may contribute and still continue to be considered within the insurable employment field. Hence the minimum period of insurable employment which has been adopted in the order for the counting of war service. Up to the completion of the fifteen weeks the discharged person will be eligible under the out-of-work benefit provisions of the order.

Where a discharged person becomes established in insurable employment and qualifies for insurance benefit, if that benefit is of a lower rate than the rate of out-of-work benefit to which he would otherwise be entitled, then the difference may be paid to him as out-of-work benefit. If it were not for this provision there would be some tendency to avoid *insurable* employment in the lower earnings classes, by reason of the higher rate of out-of-work benefit in the event of unemployment in *uninsurable* employment.

In making the calculation as to the period of service which is to be credited to the ex-service man contributor under the Unemployment Insurance Act, deduction is made, with certain modifications, of the period during which the discharged person has been in receipt of out-of-work benefit or grants under the order. In respect of all out-of-work benefit or grants payable under the Post Discharge Re-establishment Order, the period is limited to that of service in the forces, but not exceeding fifty-two weeks in all, and the whole of the payments is to be made within the period of eighteen months after discharge, time spent in hospital exempted. There is, however, one exception, and that is in the case of allowances payable in respect of students completing their university course.

Women discharged from the Canadian Women's Army Corps and the Royal Canadian Air Force (Women's Division), since they are members of the forces, are eligible for all benefits under re-establishment measures in a similar way to other discharged persons from the Canadian Armed Forces. However, it has been necessary to make slight changes in the eligibility of women in respect of out-of-work benefit. This has been done by P.C. 2602 of the 1st of April, 1942, which provides that the rate of out-of-work benefit for women discharged from the forces shall not exceed the rate of pay whilst a member of the armed forces, and a dependent wife or a pensioned widow shall not be considered eligible for out-of-work benefit; but where re-establishment grants are indicated as necessary, full provision exists.

#### (8) Land Settlement.

In the evidence which I had the honour to submit to the Parliamentary Pensions Committee last year it will be recalled that a reference was made to the probability that "we should be obliged to plan for the absorption of more of our ex-service men into urban life than before, whatever doubts we may have as to increasing centralization and urbanization." The program outlined has indicated that the General Advisory Committee has shared to a large extent

this view of the probable outlook. But at the same time it will be recalled that reference was also made to the number in the forces who have derived from rural communities, and in respect of whom opportunity should be provided.

With regard to the principles which have guided the Sub-Committee on Land Settlement, may I refer to pages 278 and 312 to 314 of Minutes of Proceedings and Evidence (No. 10) of April 4, 1941, and page 751 of Minutes of Proceedings and Evidence (No. 20) of May 30, 1941.

There has been here and there a voice raised in condemnation of any land settlement proposals for veterans, based on the false assumption that any plans submitted to parliament must necessarily be similar to that of the Soldier Settlement Act of 1918. However, this is very far from being the case, and the new Veterans' Land Bill is the product of many months of consideration by a sub-committee of the ablest experts in this field, which made recommendations indicating an entirely new approach to this whole question, an approach suggesting rather a rural home-ownership program than a type of promotional settlement dependent upon speculative land values.

Since the Veterans' Land Bill will come before another committee of the House, it would be inappropriate to discuss it here except in its relation to the rest of the program. Sufficient to say that it will facilitate the return to the land of selected, competent veterans of this war on terms that will enable them to acquire a rural home and a competency. Opportunity will be related to qualifications; heavy debt overhead and high interest charges will be avoided. The conditional subsidy will reduce capitalization value; the lease principle will be integrated into the plan, and opportunity will be afforded to the small holder who has other employment but desires a rural environment for his family. Provision will also be made to lift encumbrances from property which forms the basis of livelihood of ex-service men who already have farms.

The selection and training of the settler; the use of soil surveys to find suitable properties; the avoidance of inflated prices, are incorporated into the measure. The co-operation of the provincial governments has been asked for, and will, it is felt, be freely given.

Where there has been criticism, the details of the measure should dispel misconception since the measure is enabling legislation to secure to the ex-service man of this war a reasonable opportunity should he desire to live on the land. The measure simply facilitates the acquirement of an equity by the veteran. There need, therefore, be no misunderstanding as far as any provincial authority is concerned since it is always open to a provincial government to discourage returning ex-service men taking advantage of the measure, should this be thought consonant with public policy.

I trust that it will be possible in discussion, to keep this measure of land settlement in its proper relationship to all the other parts of the program, as indicated. There is a natural tendency to highlight some one measure, forgetting other forms of assistance given in respect of civil re-establishment; so that it is important to keep in mind that the Veterans' Land Bill, before the House, and indeed other measures now being discussed by parliament, are vital parts of but not the whole program.

At this stage of the summary it may be asked what is the present size of the problem of re-establishment of discharged men from the forces. Up to the end of December, 1941, and since the beginning of the war in 1939 there have been 41,370 discharges to civil life. This figure excludes desertions, deaths, transfers to other armed corps or promotions to commissioned rank. Included in this total are 35,776 discharges from the Canadian Army (Active); 4,057 from the Royal Canadian Air Force, and 1,537 from the Royal Canadian Naval Services.

In respect of the large number of discharges from the Canadian Army (Active), 93 per cent have had service in Canada only, and 56 per cent had less than six months' service in the force altogether, while 7 per cent, or 2,687,



had been overseas; 63 of the Royal Canadian Air Force had service overseas. This means that those discharged from the Canadian Army (Active) have had no battle experience in the sense of physical combat with the enemy, but in all cases these men who have been discharged have been willing to serve their country under any risk, and though they have found it impossible to remain in the armed forces, every effort should be made to assist their re-establishment on their return to civil life. The great majority of these men have at once found employment and have set to work to help the country as civilians in the country's hour of need. There is every reason to believe that these men will carry the spirit of service which induced their enlistment, into civil life.

Most of the measures discussed are already in force and the administration has been and is being strengthened to carry out the declared policy of the government to leave no stone unturned to ensure a smooth working of the plans made. Officers of the Department of Pensions and National Health have visited the provincial governments to enlist support, and throughout the Dominion ex-service men organizations and local committees are taking a deep interest in the matter. The Canadian Legion in particular is co-operating closely with the Veterans' Welfare Division of the Department of Pensions and National Health.

On one point a word might be said in passing. Ex-service men on their return resume their status as citizens in their communities and provinces; it therefore follows that any social welfare benefits or relief payments for which the non-service man is eligible should not be denied to the ex-service man whose rights are as strong as those of the civilian. The Dominion, it is true, has accepted wide responsibilities in respect of the civil re-establishment of ex-service men, but this does not justify any form, implicit or explicit, of local discrimination against the veteran who has not surrendered by his service in the forces his provincial and municipal status. It is hoped that every governmental unit in Canada will inquire as to its local employment opportunities for ex-service men and make sure that they are offered preference in employment, and that every citizen of every community will find some special personal way of assisting men who have served their country at this time.

Reviewing the whole program developed to date it can be seen that the main outline is taking shape. The Inter-departmental Advisory Committee on Rehabilitation has had about a dozen subcommittees of which five have completed their work. There remain such questions as vocational guidance techniques; vocational training procedure and facilities; returned soldiers' insurance; the specialized placement of handicapped men; the completion of the pre-enlistment occupational statistical analysis; the co-ordination of discharge arrangements; and demobilization (priorities and methods). Some measures now established by Order in Council may also require some permanent form of legislative enactment, and this will be undertaken as the legislative program permits.

At this point it might be well to clear up some confusion which may have existed as to the respective functions of the General Advisory Committee on Demobilization and Rehabilitation and the Committee on Reconstruction. The General Advisory Committee on Demobilization and Rehabilitation is governed by P.C. 5421 of the 8th of October, 1940, and is restricted by its terms of reference to consider only those problems arising from the discharge during the war or by general demobilization of members of the forces. Discharges taking place during the war and general demobilization at the conclusion of hostilities both are affected within the framework of powers contingent upon the War Measures Act. Indeed the war is not over until general demobilization is completed. Measures relating to civil re-establishment of men discharged cannot be postponed until the period of general demobilization and whatever measures are adopted to meet the emergencies of discharged men during the course of the war

must be reasonably consistent with the measures adopted in respect of men discharged on general demobilization. The whole program, therefore, of civil re-establishment cannot be divorced from its close association with the general war effort and administration.

At the end of the last war vocational training arrangements in respect of pensionable disabled soldiers were developed and carried through under the terms of Orders in Council derived from the War Measures Act of that time. In view of the experience of many departmental officials in the matter of ex-service men administration, this problem was best handled by utilizing the experience and knowledge of the various departments of the government. The General Advisory Committee, therefore, consists of departmental officials but the subcommittees have utilized the services of any experts whether in or out of the government service who could assist in the developing of the program, and to these public-spirited citizens who have given of their time so freely, we owe a debt of gratitude.

The efforts of the Committee were restricted mainly to the development of measures which would ensure an area of opportunity for ex-service men, irrespective of and without prejudice to whatever form of economy might hereafter be adopted by Canada in the post-war period. In short it was recognized that the possession of a skill by a veteran is the soundest basis for his re-establishment in civil life. However, the Cabinet Re-establishment Committee recognized that in the period at the termination of hostilities there were a great many matters which would require the consideration of the government in relation to the whole economy of the country. Accordingly the Committee was given an added term of reference relating to the examination of the general question of post-war reconstruction and the Dominion facilities that should be established, by P.C. 1218 of the 17th of February, 1941. It was obvious that this problem should be approached in a rather different fashion, and accordingly a small committee of six was established to study the question. It was felt to be more appropriate that the members of this committee should not be members of the Public Service, and the direction, activities, methods, and objectives of work of this committee differed in many respects from these of the Committee on Rehabilitation of ex-service men. The timing of the programs of both committees differs widely, since the Committee on Rehabilitation must go ahead with the planning of re-establishment measures which have had to be put into force already whilst the planning of the Committee on Reconstruction refers to the post-demobilization period. There is the further point that projects of post-war social and economic re-establishment and reform should rest normally on their own merits without the intrusion of concern for the welfare of ex-service men into the advocacy for suggested measures. However, since the inception of the Committee on Reconstruction it has been convenient to have the secretariat of the Committee on Rehabilitation at the disposal of the Committee on Reconstruction for organization purposes, but it has now become possible to establish a separate secretariat and to direct the activities of the Committee on Reconstruction to the larger social and economic issues which will arise in the post-war period. Last year, as indicated, the work of the Rehabilitation Committee was considered very carefully by the Special Parliamentary Committee on Pension, and a great deal of what has been done by the Rehabilitation Committee in respect of measures relating to the welfare of discharged men has been due to the encouragement and report of that Parliamentary Committee.

## *2. Post-war Reconstruction.*

It has been thought well to cover the rehabilitation measures very fully so as to clear the ground for the indication of the heavy program which will lie within the terms of reference of the Committee on Reconstruction. It will

not be possible to do more than indicate the various steps which have been taken by the government with regard to this matter and suggest the perspective and the controlling factors. At the outset may I re-emphasize the solemn words of the Prime Minister with regard to this question, "The war has to be won before there can be any thought of reconstruction, and if the winning of the war is to include, as we hope it must, the restoration of freedom to those parts of the world from which freedom has been taken away by aggressor nations, there is yet a vast task that lies ahead of the free nations of the world. I stress this because I should like to remove altogether any impression that in constituting a committee of this house to study the problems of reconstruction, the government or anyone on this side of the house—or for that matter I hope I may say anyone in this House of Commons—entertains the illusion that at the present time we are anywhere within sight of the termination of the present war, or by any means certain as to its course, at least for the immediate present." (p. 1778, Hansard, 25th March, 1942.)

It is extremely difficult, under present conditions, to project schemes into the future for as the days go by hypotheses, lines of solution of problems, methods, trends, political philosophies, and even party programs with regard to this whole matter change. Should there be physical destruction as the result of bombing or battle, difference of opinion is limited by the technical terms of the physical reconstruction problem. But social order reconstruction involves so many variables that controversy is inevitable, and some would have us believe that there is some risk of sabotaging the war effort by division of our forces in this life and death struggle by premature discussions. The demand, however, for an idealistic type of reconstruction exists.

To some it is an essential stimulant to enable the mind to bear the burden of war, the vision of a new world compensating for the horrors of the struggle just as the apocalyptic vision of a new Jerusalem became sharper when the church was being persecuted. Few today can regard war as an adventure, and therefore it only becomes tolerable as a crusade with social and economic reform as a banner under which to fight. It is widely believed that our fighting men and workers acquire new vigour by the appeal of future blessings to come. Our enemies fight for a new order, and the United Nations fight for the freedoms as defined in the Atlantic Declaration and in the historic speeches of the President of the United States. These war aims are general objectives and not plans, and it is hoped that men will find in them, battle cries. As the struggle, however, has become more charged with ultimate risk of the national destruction of the democracies, we have become somewhat more hesitant, and less categoric and dogmatic as to the kind of world that will result. In Russia, for example, we hear less about the Five-Year-Plan, and more about the need for our finding and fighting the enemy, and for offensive action. There is a sense in which, if we would save ourselves, we must be prepared to sacrifice all. The young service men cannot keep an eye to the main advantage of a post-war career or the maintenance of peacetime skills, nor can the industrialist give too much weight to prudential considerations as to redundant plant, nor may the worker view with too stern an eye the temporary loss of many hard-won privileges. And yet since the young service man, exposed to mortal risk, surrenders from time to time his post-war world for our security, there is thus a bond of trusteeship which arises which places upon us the dual obligation of the completest kind of sacrifice, shorn of prudential considerations, to back him up; and on the other hand, without relaxing or postponing war work, of giving some thought to the long-range consequences and implications of the struggle.

Arising from this we can put aside some opinions which only need to be stated to suggest their invalidity. This war was not due to some defects in our social order. It would not have mattered whether our economy was completely ideal; the aggressor nations were covetous of what they regarded as the wealth



of their neighbours; so that our enemies have attacked countries irrespective of the stage of their social or economic progress. It is a fallacy, moreover, to suppose that war is a factor of human progress, and that we shall be any better off as a result. There is then the view that war will create a clean sheet on which we can construct a new order. One might as well say that there is a clean sheet when war breaks out. Undoubtedly post-war reconstruction will take place in conditions intensely complicated as a result of the war and whatever new order is established will not necessarily compensate for the sacrifices we may have to make. The change then wrought by war is fundamental.

Prior to the war we were compelled to economize on defence expenditures and diverted our income to expenditure on many services and things which today do not appear quite so essential. How long we shall have to be content to surrender our freedom in the selection of consumption goods, and how long we must divert our resources to defend ourselves is not clear; and whether this may be continued in the post-war period cannot now be determined. But the longer the war lasts, the more our life will be changed and the more will the problem of reconstruction become more factual. The new order for some years to come is with us. War is an experiment in government and social organization. At the end of this war we may be obliged to choose how much of the new system is to be kept, and whether we shall be able to decide that on its merits, we do not now know. We may be obliged to continue much because of the needs of a defence economy. Reconstruction will not mean that we will have a clean page upon which to write, but it will raise the question as to what controls should be given up, and what controls retained.

We are living now, for example, in an order in which there is practically full employment, but the cause of that to some extent is a reduction in our standard of living and denial of free choice. Yet as Professor D. H. Macgregor has argued, "We are still able to live pretty well, well enough to show that we could afford a good deal of strictly unprofitable employment in ordinary times and still live quite well." (Professor Macgregor's use of the word "unprofitable" is in the economic sense and refers to profits on the capital utilized)—to continue my quotation from Professor Macgregor—"There are always many industries whose material products are much less important to the nation, in terms of real contribution to welfare and development, than the work they create. Indeed, if we were to arrange the industries of the nation in ordinary times in an order of real contribution to welfare through their products, neutral ones, whose product does no harm and no particular good, might be not very low on the list. The reflection of war on this question is, that it shows how great is the margin of material things on which we could always afford to encroach in order to have the immaterial, but none the less important advantage of good employment." These ideas are being discussed on every hand, but when one comes to relate them to the problem of the Canadian economy, one is again confronted by a social and economic structure very vulnerable to world forces. We maintain a system of delicate checks and balances in our federal constitution; our economic regions are somewhat disarticulated; our agricultural life runs in separate streams; our narrow north-south bands of settlement seem discontinuous; and our external markets somewhat uncertain. We have a heavy stake in world order, and the re-organization of international trade.

The government has, since the beginning of the present war, been conscious of the implications of the interruption of world trade by blockade and dislocation of industry, the diversion of our resources to the production of war materials, and the drastic change throughout the whole of the economy of this continent and of the world. Again and again voices have been raised in warning as to the risks and the implications of these widespread changes. It may not be, therefore, unhelpful to catalogue at this stage the various main steps which might be considered by your committee in your review of this whole question.

(1) Our entry into the war in 1939 has enabled the country to develop a war economy gradually and it is not without significance that the Dominion of Canada has played its part between the economies of its great customer, Great Britain, and its great neighbour, United States. The development of the lease-lend policy by the United States, the method by which British purchases are financed in Canada, and the gift of one billion dollars to Great Britain—all these will have eliminated the cause of much misunderstanding which existed at the end of the last war. The United Nations are in a position to reach a saner international trade policy by the elimination of large international indebtedness for war purposes. The difficulties of our balance of trade and the exchange shortage were greatly eased by the Hyde Park agreement between the President of the United States and the Prime Minister of Canada (April 20, 1941). This agreement is significant for the future.

(2) Canada has agreed to the Atlantic Declaration, and has signed an agreement made between the United Nations reaffirming the aims looking to the freedom of the world. It will be recalled that in the Atlantic Declaration it was agreed by the President of the United States and the Prime Minister of Great Britain that the United States and Great Britain "will endeavour with due respect for their existing obligations, to further the enjoyment by all states, great or small, victorious or vanquished, of access, on equal terms, to the trade and to the raw materials of the world, which are needed for their economic prosperity. They desire to bring about the fullest collaboration between all nations, in the economic field, with the object of securing for all improved labour standards, economic advancement and social security."

(3) Canada has maintained its links with the League of Nations and the International Labour Office, and diplomatic representation of Canada abroad has been strengthened. The hospitality given by the Dominion of Canada to the troops and the distinguished representatives of victim nations, together with the consciousness of greater responsibilities in the Pacific, suggest that the Dominion of Canada and the sister dominions will have an important part in the development of the international structure in the post-war period. The International Labour Office has its present temporary headquarters in McGill University; the report of its acting director, last year, submitted to the conference of the International Labour Organization in October last, dealt with the question of post-war reconstruction; and arrangements are being made by the International Labour Office to pursue further studies. The Economic Section of the League of Nations at Princeton University is also engaged in study of the question.

(4) International conferences have already begun to take place with respect to the post-war food situation and at Washington the International Wheat Conference with representatives from Canada, Argentine, Australia, United States and Great Britain, has addressed itself to the question of relief feeding of destitute countries pending their reconstruction and the stabilization of world trade in wheat. The Chief Commissioner of the Canadian Wheat Board has been present at this conference in which the Dominion of Canada is so vitally interested.

(5) In view of the intimate relations which exist between the United States and this country in the promotion of our mutual interests as allies in the war, a number of committees have been set up to effect the necessary co-operation and co-ordination in respect of war production and effort. Joint economic committees were established by the governments of the United States and Canada to study and report to their respective governments on the possibilities of increased economic co-operation between the United States of America and Canada, and a second term of reference of these committees instructed them to consider and report upon "Reducing the probable post-war economic dislocation consequent upon the changes which the economy in each country is presently undergoing."

The Canadian section of these committees, under the chairmanship of Dr. W. A. Mackintosh, has engaged in consultation with the Washington section and has developed an agenda dealing with post-war reconstruction problems as affecting the hemisphere. Furthermore, recommendations signed by Dr. W. A. Mackintosh, Chairman of the Canadian section, and Dr. Alvin H. Hanson, head of the United States group, relative to co-operation in respect of agriculture in the production of crops made vital by war development, and the use of farm labour and machinery across the boundary, have been accepted. These arrangements will assist in harvesting through facilitating the use of labour and machinery which would otherwise be idle, and will make use of the seasonal variation of the harvest period. Arrangements provide for increased production of oil-bearing crops in the United States and of oats, barley and flax in Canada. This agreement reached as a result of the work of the Joint Economic Committee, is a war development, but its implications might well be given study.

(6) Turning to the domestic field, it may be noted that the growth of new industries related to the war effort, the allocation of resources to essential industries, the wide area of government financing of necessary munitions manufacture, will have their bearing upon the industrial structure of the country. It may be possible to salvage much wartime experience of administration, much improved technique, and in some cases the new industries may be fitted into the post-war industrial picture, whilst in the case of certain war industries conversion to peacetime purposes may take place after the war.

In the Department of Munitions and Supply considerable thought has been given to industrial planning and exploration of this matter might be productive of results. Steps have also been taken to defer programs of public works so that a backlog of projects has begun to accumulate. Since the war began there have been a national registration, a decennial census in 1941, and a registration conducted under the Unemployment Insurance Commission. The data secured from these sources are invaluable to the National Selective Service direction and to government departments, and they provide an opportunity of more adequate statistical control of labour transfer, industrial employment, and development. It will be recalled that in the post-war period between 1918 and 1923, census data available of 1911 were somewhat out of date at that time, and the whole economy and statistical information available as to the functioning of that economy were somewhat immature. There thus exists to-day better documentation as to the processes of our economy and there are signs that the new financial and administrative controls are being exercised to bring about a more economic use of our industrial equipment and resources.

(7) At the beginning of the war it was at once clear to the government that the mobilization of manpower and industry would give rise to economic problems which would demand considerable control on the part of the government and self-control on the part of citizens. As a result an Economic Committee was established, and early in the war there was formed the Wartime Prices and Trade Board. The control of prices and the avoidance of uncontrolled inflation are absolutely essential to total war effort. It has been necessary to establish drastic regulation in respect not only of price ceilings, but of wage increases which are effected through a regulated cost-of-living bonus. These measures have established a reasonable stability in the gathering momentum of our armed forces, and of war industry, in support of that force. Those who recall the haphazard profit wage and bonus conditions of the last war combined with the rising spiral of prices throughout its course will realize how much better this economic control has been and its significance in relation to future economic stability in the years that lie ahead. The heavier taxation, the war savings, the fiscal arrangements with the provinces, and the methods of foreign exchange control are all vital parts of that financial mobilization that is necessary in the interests of a balanced and growing war effort. These



measures are anti-inflationary in effect. The organization of our financial program, the method by which it has been possible to assist Great Britain, and the repatriation of Canadian securities held abroad would have been difficult of accomplishment without a central banking system, that is the Bank of Canada, an institution which did not exist in the last war. Uncontrolled inflation would destroy not only our war effort but the hopes of all of us for a sane post-war economy, so that the financial war measures are important post-war measures as well.

(8) On May 3, 1940, there was submitted the report of the Royal Commission on Dominion-Provincial Relations. This report is the most comprehensive survey that exists of the fiscal arrangements between the dominion and the provinces, and of the services and jurisdictions of our governmental units. The national income, labour legislation, social services, public health, housing, municipal finance, monetary policy, the system of subsidies, and the difficulties of divided jurisdiction have been reviewed in this report and are available for study. No survey of post-war reconstruction at this time can ignore the documentation thus afforded. The following summary, in the conclusion of the report, picks out in sharp outline the main problem which confronts this committee, and the people of Canada, in any policy with regard to the direction of Canadian development:—

The Canadian economy is one which under any circumstances would have certain disabilities and weaknesses—the necessary dependence on a few specialized exports and the consequent vulnerability and sharp fluctuation in income, the large proportion of unproductive area and the seasonal handicaps which increase overhead costs, and the consequent rigidities of the cost structure as a whole. But in addition to those disabilities, which are inherent in the nature and distribution of Canadian resources, are the increased costs which have been incurred for political and national reasons and which further increase the rigidity and vulnerability of the economy. From our survey of the economies of the various geographical regions it is also apparent that there are wide disparities in per capita regional incomes. This condition, as the historical survey in previous chapters indicates, has been more or less constant, but in times of depression it is likely to be greatly intensified at least as between certain regions. This condition raises grave problems of provincial and municipal finances; it militates against equality of capacity as between provincial governments to withstand economic crises, and against equality of standards in provincial services, especially under the present division of revenues and responsibilities between the federal and provincial governments. There are clearly some elements making for national integration and interdependence, and some for division of interest and friction. With the passing of the period of expansion which was so greatly influenced by the traditional national policies, it may be necessary both for the preservation of national unity and the preservation of the national welfare that new policies should be inaugurated and developed to stimulate and give dynamic direction to new national expansion, although probably on very different lines and different frontiers. Several alternative policies are possible. In the vital field of external economic relations Canada might strive for closer integration with the United States, or with British countries, or for greater self-sufficiency. In internal management Canada might move toward a freer economy, with greater reliance on the unrestricted operation of the capitalist system and less responsibility for its casualties, or it might move toward a more controlled economy.

A controlled economy might increase or reduce the national income, depending on the wisdom of its policies and the skill with which they were carried out, and it might increase or decrease the existing income, depending on the prevailing philosophy as to the functions of government in this respect." (p. 200, Book i, Report of the Royal Commission on Dominion-Provincial Relations.)

I need not recite the history of the abortive Dominion-Provincial Conference which was held last year with the object of considering the recommendations of this Rowell-Sirois Report. Some critics of the report suggested that it was undesirable in wartime to carry out the recommendations, and in a few cases these critics have somewhat inconsistently asked for widespread measures of reconstruction during and after the war. Whatever differences of opinion, however, exist as to the merit of the recommendations of this thorough study of the political and economic structure of the dominion, the data provided by the commission are fundamental in any study of reconstruction in Canada.

(9) In 1940 Royal assent was given, on August 7, to the Unemployment Insurance Bill. This act, which provides for unemployment insurance benefit as a right established by contributions previously made, is now in operation, and under it there is established the Employment Service of Canada which will provide a national placement service throughout the Dominion. The integration of the post-discharge re-establishment measures already discussed into the pattern of this legislation has been an important part of the planning activity of the Rehabilitation Committee, and in relation to the post-war period this articulation of the post-discharge arrangements respecting ex-service men with the placement and unemployment insurance facilities is significant.

(10) The Unemployment Insurance Act provides that insurance benefits are paid as a right on the fulfilment of statutory conditions, one of which is that a contributor has not refused to attend a course of instruction if required. This condition may become very important in the years that lie ahead and the government is introducing a vocational training co-ordination bill into the house which will continue and develop the Youth Training Program and agreements with the provinces which have been in force up to March, 1942. Reference has already been made to the War Emergency Training Program and much is now being learned about the relationship of vocational training to industrial employment, and as to the methods and opportunities and functions of vocational training both in institutions and within industry itself.

This measure of vocational training has also a connection with the agricultural and household science training given in various provinces, and also a certain measure of assistance is given students in universities. The wide training program which is in prospect for the discharged and demobilized ex-service man is being co-ordinated with the developing policy, program, and administration of vocational training under the Department of Labour.

(11) In the field of agriculture the war has given rise to the Agricultural Supplies Board, and there has been adopted a policy of encouragement of bacon and dairy production with a gradual shift from grain growing to more diversified agriculture. Certain rehabilitation measures under the Prairie Farm Assistance Act of 1939 have been proceeding. No doubt the whole field of the rehabilitation of Canadian agriculture will be a subject of inquiry. In this connection it may be noted that such progress has been made in the matter of research in nutrition and the importance of diet and dietary habits is being given attention by the Nutrition Division of the Department of Pensions and National Health from the standpoint of national health, but the economic aspect of the benefit that would accrue to agriculture through the consumption of the protective foods should form an important point of attack in this problem of the maintenance of prosperous farm communities.

(12) National health is the constant concern of the Department of Pensions and National Health and great progress is being made in a co-operative program with the provinces to safeguard public health and to promote those measures designed to mitigate the incidence and ravages of disease. For some years there has been considerable interest throughout the dominion in the question of invalidity insurance in respect of the cost of medical and surgical treatment. There has, therefore, been set up a committee (P.C. 836 of the 5th February, 1942) under the chairmanship of the Director of Public Health Services to study the question of health insurance and to formulate a health insurance plan. This committee has already begun work.

(13) As already indicated, it became necessary to attempt to gather together the various developing ideas, proposals and projects relating to the post-war period, and the government, therefore, set up an Advisory Committee reporting to the Cabinet Committee on Demobilization and Re-establishment, known as the Committee on Reconstruction with the same term of reference as the Cabinet Committee, namely, "to examine and discuss the general question of post-war reconstruction, and to make recommendations as to what government facilities should be established to deal with this question." The authorization for this term of reference in respect of the Cabinet Committee was made on the 17th February, 1941, and the range of the proposed investigation was discussed in the evidence which I gave to the special parliamentary Committee on Pensions a year ago, to be found in Minutes of Proceedings and Evidence of that committee of April 4, 1941 (p. 282).

The committee was assembled in March, began its work, and is now operating under the terms of P.C. 6874 of the 2nd September, 1941. Arrangements were made to have the chairman and the vice-chairman of the General Advisory Committee on Demobilization and Rehabilitation, and also the chairman of the Canadian section of the Joint Economic committees attend meetings of the Committee on Reconstruction and afford the fullest co-operation. It was felt desirable that members of the Committee on Reconstruction should not be members of the civil service, but should bring to their work wide knowledge and experience and be able to look at the problems presented to them from the broad angle of Canada's needs rather than represent specialist administrative points of view. It was also felt that the committee should be small and should, over a period of time, become accustomed to working together, and that the members should be men distinguished in their own particular calling and in touch with the larger problems of the dominion.

The chairman is Principal F. Cyril James of McGill University, formerly Professor of Finance at the University of Pennsylvania, and later Professor of Political Economy and Director of the School of Commerce at McGill University—a specialist in international trade; and the following are members:—

Mr. D. G. McKenzie, now chairman of the Board of Grain Commissioners, formerly Minister of Mines and Natural Resources and Minister of Agriculture in the Manitoba legislature; member of the Advisory Board on Tariff and Taxation, 1926-28; president of the Canadian Chamber of Commerce; former vice-president of the United Grain Growers.

Mr. J. S. McLean, former president of the Canadian Chamber of Commerce; has been Adviser on Food to the British Ministry of Food at Washington, D.C., president of Canada Packers, Limited.

Dr. Edouard Montpetit, K.C., secretary-general, University of Montreal, and director of the School of Social, Economic and Political Science. Has been a Canadian delegate to the League of Nations Assembly at Geneva.

Mr. Tom Moore, president of the Trades and Labour Congress of Canada; former director of the Canadian National Railways; member of governing body of the International Labour Office; member of National Employment Commission 1936-38, and chairman of the National Employment Committee under the Unemployment Insurance Act.



Principal R. C. Wallace of Queen's University. Formerly Professor of Geology at the University of Manitoba; Commissioner of Mines and Natural Resources for Manitoba, and later president of the University of Alberta.

These gentlemen serve without remuneration.

It is felt that those of them associated with academic and with university administration will have a keen sense of the specialist, scientific and research resources available in Canada whilst being aware of the needs of the young minds which are being equipped to serve the dominion, and that the contact between these educational leaders and those members of the committee who have been engaged in leadership in labour, industry and agriculture will be productive of far-reaching and objective thinking about the future of our country.

It will not be necessary for me to outline in detail the evolving work of this committee since I presume it will be possible for you to have as witnesses the chairman of the committee and those members who are chairmen of the sub-committees. But it may be useful to indicate briefly the steps which have been taken by the committee to open up this field of inquiry.

(1) The committee has evolved a basic memorandum which constitutes an agenda for the committee. This memorandum is subject to constant revision and reflects the main items in respect of the economy of Canada which are the subject of study. Copies of this agenda have been placed in the hands of your committee.

(2) The secretariat includes a research adviser, and has assembled material relevant to the problems being discussed and all the information, suggestions, projects, and publications relating to the question of post-war reconstruction are carefully collated, indexed and become available for the documentation of the committee.

(3) Contact has been established with the economic section of the League of Nations at Princeton University and the International Labour Office at McGill University, and with official and semi-official bodies in Great Britain which are working on this problem. Both through official channels and in various ways information is being received from the governments of the United States and of Great Britain as to post-war re-establishment, and this material is being studied by the committee and its sub-committees.

(4) In order to establish contact with the ministers in Great Britain charged with the duty of planning post-war reconstruction measures, the chairman of the Committee on Reconstruction has paid a visit to Great Britain and secured a great deal of valuable information which will be useful to the committee in studying this question.

In the fall of 1941 I had the privilege of meeting several members of His Majesty's government in Great Britain and brought back a preliminary dossier of material which has received consideration by members of the Committee on Reconstruction.

(5) The committee at an early stage decided that it would be necessary to have prepared some studies upon various subjects which would throw light upon some of the more vital phases of the whole problem. Individual specialists have been engaged to prepare reports, and the stage reached in connection with these studies may, if your committee so desires, be discussed by the chairman of the Reconstruction Committee. The subjects covered include the following:—

(a) *The Sequence and Timing of Economic Events, 1914-23.*

It is hoped that this may be a guide as to trends which might be expected in the post-war period.

(b) *Contemporary Demographic Trends in Relation to Agricultural Development.*

(c) *War Effects on Location and Expansion of Canadian Industry.*

Base maps of the location of the wage earner population of Canada have been prepared, and the geographical distribution of war time industrial expansion in Canada will be studied from several angles.

(d) *The Impact of Wartime Controls on (i) the construction industry; and (ii) the meatpacking industry.*

Two separate studies have been inaugurated into the effect of wartime controls on industry. The first two industries investigated are the construction and the meatpacking industries. It was felt that in the case of the construction industry peacetime controls had not been greatly in evidence, and that this might form a contrast with the very wide area of controls which exist in respect of the meatpacking industry from the raw material to the processed product. It is hoped that these studies will suggest methods of research in respect of other industries and a schedule of research for each investigator in each industry has been prepared on a similar basis, so that comparison can be made more effectively.

(e) *Review of Machinery of Economic Control set up under War Measures Act, in relation to Post-War Administrative Exigencies.*(f) *Rent Control in Relation to Housing Supply.*(g) *War Influence on Rural Living Standards in Quebec.*

In addition to the above a number of studies are being undertaken by local bodies—one of housing in Montreal, and a type regional study of conservation by the Ontario Conservation Association.

Contacts have been established with research and economic specialists in the various departments of the government such as the research division of the Bank of Canada, and the economic advisers of the Department of Finance, the Wartime Prices and Trade Board, the Bureau of Economics of the Department of Munitions and Supply, the Department of Labour, the Bureau of Statistics, and the Marketing and Economics Branches of the Department of Agriculture.

The Committee on Reconstruction having thus arranged for research and the flow of information, has now established four subcommittees. These subcommittees are as follows:—

1. *Agricultural Policy.*

Chairman: Mr. D. G. McKenzie.

Term of Reference is: To study the problem of Canadian agriculture, with particular reference to (a) the desirability of raising the standard of living of all Canadians to a desirable nutritional level and (b) the probable developments in the international movement of Canadian agricultural products; and to recommend to the Committee on Reconstruction a comprehensive program for the rehabilitation of Canadian agriculture at the end of the present war.

Special attention is to be given to measures designed to augment the domestic consumption of foodstuffs at present and in the future, with a view to improving the health of the Canadian population, and the subcommittee will also attempt to appraise the possible or probable changes in the foreign demand for basic agricultural staples produced in Canada, so that its recommendations may envisage greater stability of operations and wider prosperity among Canadian agriculturists.

2. *Post War Employment.*

Chairman: Mr. Tom Moore (member of main committee).

Terms of reference: To consider the most effective organization of employment opportunities in the postwar period, with special reference

to (a) the proper use of available labour, (b) legislation or practices affecting the length of the working period, and (c) other relevant implications of the subject of reference, as indicated in basic memorandum attached to minutes of the third meeting of May 3, 1941. To recommend to the Committee on Reconstruction specific plans regarding legislation or practice in this field.

### 3. *Conservation and Development of Natural Resources.*

Chairman: Dr. R. C. Wallace (member of main committee).

Terms of reference: To consider and recommend to the Committee on Reconstruction the policy and program appropriate to the most effective conservation and maximum future development of the natural resources of the Dominion of Canada, having regard to the importance of these resources as national assets and emphasizing the part which the proposed policies may play in promoting employment opportunities at the end of the present war.

### 4. *Construction Projects.*

Chairman: Mr. K. M. Cameron (Chief Engineer, Department of Public Works).

Terms of reference: To study the extent to which a carefully formulated program of construction projects may contribute to the national welfare of the Dominion of Canada, as well as provide employment opportunities during the post-war period. To report to the Committee on Reconstruction regarding the way in which such a program may be most effectively organized in advance of the termination of hostilities.

Under these terms of reference the whole field of construction projects as outlined in the basic memorandum is to be studied, but specific attention should be drawn to four phases of the problem which clearly demand careful consideration at an early stage of the subcommittees deliberations:—

1. What specific machinery should be set up to co-ordinate the construction activities of the Dominion government, provincial governments, municipalities and private enterprises, so that a comprehensive program may be put into effect smoothly at the appropriate time?

2. What specific standards should be applied in the study of specific projects for the purpose of determining their place in the program? How should specifications be drawn and preliminary planning be carried out?

3. What categories of construction projects should be established?

- A. Dominion projects only?

- B. Dominion-provincial projects?

- C. Projects involving municipal participation?

- D. Projects involving the participation of private enterprise?

4. In categories B, C and D of the preceding paragraph, to what extent, and upon what terms, should funds be made available by the Dominion government to finance such construction projects?

It must be appreciated that these sub-committees are in the preliminary stages of their work, but if thought advisable, there is no doubt that your committee could secure from them much valuable information as to the stage which has been reached and the outlook for the work that is being carried on.

It has been the policy of the sub-committees to invite experts and specialists who are in a position to help them and suggestions received from the public in respect of post-war reconstruction have been given careful attention by the Committee on Reconstruction and its secretariat.



It is felt that it is appropriate in respect of the work of the committee that the chairman of the committee and the chairman of the sub-committees should discuss with you the agenda and the details of their work, so that having thus introduced the subject may I therefore be permitted to avoid encroachment on their subject material.

But in conclusion may I add a word as to the relation of these matters to our war effort. I have tried to summarize the great changes that have already taken place in the past two years in policy, in the general direction of our economy, in administration, in the speed of executive and legislative action, and in the emergence of planning. These enormous changes may appeal to the zealot for reform as inadequate, and on the other hand to the reactionary as unduly revolutionary. They cannot be described as signs of inaction, and there is no doubt but that in future years, if the war continues, our way of living in the Dominion of Canada will be greatly altered. We are now in the difficult position that every policy both war and post-war must be considered in its relation to its possible contribution to victory. Greater leisure, more amenities, opportunities for recreation, comfortable travel, refreshment, pleasure, forms of physical and social security, better shelter, variety in food and clothing, sport, culture and refinements of civilization—all these desirable things must be largely deferred until our lives, homes and children are safe from murder, plunder, slavery and worse. If there be anyone in Canada today who enjoys more of these good things than he did before the war, he should re-examine his employment and his contribution to Canada, and any policy which would promise us more of these good things at this time of mortal danger should receive the careful scrutiny of the representatives of the people of Canada who are charged with a heavy responsibility of saving us all from disaster.

I take it that this committee is an evidence of the faith that our Dominion has in victory, and it is the earnest of the pledge to our fighting men that Canada after the war will find some way of avoiding the demoralization of enforced idleness and purposeless leisure, inadequacies in the living standard, and in economic opportunity.

Our Canadian Prime Minister in his study of "Industry and Humanity" noted four main fears that haunted humanity—

"Where, despite willingness to work, work is not to be had." (p. 337)

"Where, through sickness and invalidity, the capacity to earn is gone." (p. 337)

"Where age is confronted with the alternative of poverty or dependence." (p. 338)

"Where the privation consequent upon unavoidable loss of work is aggravated by the necessity of extra outlays." (p. 338)

It is remarkable to reflect how the four fears of twenty-five years ago formed the basis of the four freedoms of one year ago outlined by the President of the United States. If these freedoms are to be effective for all men everywhere in this Dominion, it must be our purpose to eliminate, as far as possible, the causes of these gnawing age-old fears. In so doing our first great task will be to win the right to decide our own future and that means that every post-war plan must be studied in the light of its possible contribution to the winning of the war.

The CHAIRMAN: Gentlemen, you have heard the very comprehensive and enlightening statement of the Minister of Pensions and National Health. What is your pleasure at the moment?

Mr. MATTHEWS: Mr. Chairman, I know I speak for every one in this room, particularly for the members of the committee, when I rise to express our appreciation of the courtesy of the Minister in coming to us this morning at

this initial meeting of our committee. This statement to me, and I am sure to many of us, is really astounding. For my own part I had no idea that so much work had already been accomplished. Then the amount of work that has been put into this second submission is great. It is just a sort of spur to us, as to the work that we must do, if we are going to play our part in discharging our duty as members of this most important committee. What the Minister has said to us has been comprehensive in the extreme. It has been clarifying to our ideas, and it has given us a greater grasp of the great work that lies before us. I shall not attempt to analyze at all anything that has been said in the submission. Time is far too short for that. But I would suggest that each of us, in his own way, express his appreciation of the courtesy and co-operation of the Minister in being with us this morning, and express the hope that he may find it possible to be with us frequently during our further deliberations.

The CHAIRMAN: Gentlemen, you have heard the motion. I know you are ready for the question. I know what your opinion is, so I am going to take the liberty of asking the Minister to accept the very attentive manner in which the members of this committee listened to his presentation this morning, accompanied by the remarks of Mr. Matthews, as an expression of the appreciation of this committee for his being here to-day.

What is your pleasure, gentlemen, in connection with the general meeting of the committee? The Minister suggests that perhaps, after reading the statement over, members of the committee, or some of them, might wish to ask him some questions in connection with it. It was my intention to suggest to you that, at the next meeting, if it could be arranged, we should ask Dr. James, the President of the Reconstruction Committee that has been carrying on some of this work, to appear before us and give evidence. We could either do that or ask the Minister to come back. We could have Dr. James here then, and as the Minister suggests, he will be here; he is a member of the committee. If, at the same meeting, anyone else wishes to ask the Minister questions, he will, of course, be quite at liberty to do so and that might be an appropriate time to do it.

There was a suggestion made before we started as to changing the quorum of this committee. The membership of the committee is thirty-five. The quorum, therefore, is eighteen, unless this committee changes it. Mr. MacNicol, I think, was prepared to make a motion on that previously. Usually, when a committee changes the quorum, it reduces it to one-third of the membership instead of one-half, as I understand it.

Mr. MacNICOL: Mr. Chairman, I have found with so many of the special committees that perhaps other committees are meeting at the same time, and for one reason or another many members are unable to attend. It is imperative that the general work of the committee should go on and be continued. So many times I have seen it happen that some members of a committee would meet, and after sitting perhaps fifteen or twenty minutes a few stragglers would come in to make a quorum. We want to avoid that. This committee has a tremendous job on its hands, and I for one believe that each member of it will, on every possible occasion, be here early. But there are occasions when they cannot be here early; therefore I move—so that the committee can get on with its work and keep working and start promptly—that the quorum be reduced to twelve.

Carried.

The CHAIRMAN: What is your further pleasure, gentlemen?

Mr. MacNICOL: At the next meeting that we hear Dr. James.

Mr. QUELCH: I take it steps will be taken to see that these committees do not all start at the same time.

The CHAIRMAN: The chairmen are to get together to-day and see if we cannot make arrangements to have the meetings on different days.

Mr MARTIN: At the last meeting there was some discussion about arranging an agenda for this committee. Is it the view of the committee that we should postpone our drawing up of plans as to the course we shall follow until after we have heard the statement-in-chief, or is it the intention that we shall now consider what the whole course of this committee shall be and what agenda we shall map out for ourselves?

The CHAIRMAN: That is a matter for the committee to decide. My own opinion is we should take all the evidence-in-chief first and then decide on an agenda. That is purely my own opinion; naturally I am in the hands of the committee.

Mr. MACNICOL: I think we had better proceed the way you suggested.

The CHAIRMAN: Is that satisfactory, Mr. Martin?

Mr. MARTIN: I think that is perfectly satisfactory. I have no intention of reflecting upon the statement given by the Minister this morning, but may I say we can spend a lot of time listening to a statement. There will be Dr. James and there may be somebody else. All they are reflecting is the kind of work we are going to go into ourselves. I certainly have no objection to hearing Dr. James, and I think we want to get down to work. The session is at least half over and if this committee is going to do any work it will have to give some consideration to exactly what it is going to do. While I agree that we should listen to Dr. James, I hope that after that the chairman will endeavour to arrange to have the committee give consideration to mapping out our work. The work of this committee is not the work of one session; it is a big job that is ahead of us and the mere mapping out of an agenda will be a matter that will take up certainly more than one meeting.

Hon. Mr. MACKENZIE: The idea I had in mind in calling Dr. James was to give you an idea of exactly what has been done so far.

The CHAIRMAN: We must not forget a very important part of the work of the committee is to study, and possibly for a short time we can study best by getting in a brief form the result of the studies already made. After that we can consider what we shall do next. Is there any further business?

Mr. QUELCH: Is it the intention of the committee to allow other organizations to make representation to this committee?

The CHAIRMAN: That will be a matter purely for the committee to decide. I think it might be well if the committee has some of these inner concentrated studies presented to it. But that is a matter for the committee to decide.

Mr. BERTRAND: Could we not have a draft of the whole problem and its implications? If we have that then these matters can be decided and an agenda can be worked out.

The CHAIRMAN: Personally I am inclined to think that would be better, but once more it is a matter for the members to decide.

Mr. BERTRAND: If you look at some of the work placed before us by the Minister in his paper this morning, you will see it will be necessary to divide it into different categories, and if we have the representations that are to be given by these men placed before us before the meetings we will have a chance to study them and appreciate the significance of them or at least the idea of the whole problem that is involved.

Mr. MARTIN: I agree entirely with what Mr. Bertrand has said. I am trying to save time now. May I ask if it is the intention of Dr. James to come here with a written statement? If it is, I do not see why the statement could not be furnished to the members beforehand so that we may carefully peruse it. The Minister's presentation is in a different category. He is the head of a department. But I think if Dr. James could furnish us with the statement he proposes to give, we could have a chance of analyzing that statement and we





## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Room 497, May 14th, 1942.

The Select Committee on Reconstruction and Re-establishment met at 11 o'clock a.m. The Chairman, Mr. James Gray Turgeon, presided.

The CHAIRMAN: Order, gentlemen, we have a quorum. I would ask Principal James and Mr. MacKay to take seats up here, please.

*Appearances:*

Dr. F. Cyril James, Chairman, Committee on Reconstruction;

Mr. J. E. MacKay, Secretary, Committee on Reconstruction.

The CHAIRMAN: Gentlemen: At this meeting of the committee the first matter of business will be cheerful; I am also certain you will be glad to know that we will be hearing from Dr. James. I have taken the liberty as your chairman of talking with Dr. James about the nature of the submission which would be made by him to-day. There was a suggestion made at the last meeting that it would be well if Dr. James were subject to questioning today. The Doctor suggests that he make a statement orally, instead of from a written brief. The statement as he has it planned will consist of a recital of several features of the general post-war reconstruction problems that have been discussed by the Committee on Reconstruction of which Principal James is chairman. Now, I think that the members of the committee would like to ask a few questions of Dr. James at the conclusion of his presentation of each particular feature of the general statement. I would therefore suggest that Dr. James be listened to—I assume that each section of his statement will take around twenty minutes or so, and then before he goes on to another picture, if the members wish to ask him some questions they will be at absolute liberty of course to do so. If the committee agrees that that is the proper way, or the most desirable way in which to proceed, I would now ask Dr. James if he would make his statement.

Dr. F. CYRIL JAMES, called.

Mr. MACKINNON: Before you proceed, Mr. Chairman, I would suggest that members of the committee be provided with tables so that we will at least have some place on which to put our correspondence and take notes.

Mr. MARTIN: It was understood at the last meeting that at all subsequent meetings we would be supplied with tables.

The CHAIRMAN: That matter was taken up with Mr. Doyle, the Clerk of the committee, who is in attendance at this meeting, and he tried to arrange it; but we must recognize the difficulties that the clerks find themselves in with respect to committees; there are so many committees—this is the second committee sitting here this morning. As to the question as to whether tables could be set up in this room; if that could be done it would be satisfactory to the members of the committee. We will try to see that that is arranged for our next meeting.

Mr. SANDERSON: I do not think it would be a very difficult matter to bring in a sufficient number of tables to accommodate a committee of this size in a room such as this.

The CHAIRMAN: Now, if the committee is ready, I will ask Dr. James if he will please present his views to the members of the committee.

The WITNESS: Mr. Chairman and members of the committee: as the chairman has said, I have not this morning prepared a written statement. I have a rather impressive collection of notes here, but they are merely for information and guidance.

It seems to me in the light of the excellent statement that the minister made before this committee at an earlier meeting in which he outlined the origin of the Committee on Reconstruction and its relationship to the Committee on Demobilization and Rehabilitation there is no need for me to go over the same ground again. You are already familiar with it. I would like instead to describe as simply and briefly as I can the general approach to the problem of reconstruction which my committee has been making during the past fifteen months, emphasizing as clearly as I can the sequence of ideas.

First, I shall present the basic assumptions, or the basic ideas. These, of course, are intangible; but it is necessary to have some clear vision of what is likely to happen in order to work through what is undoubtedly the most complicated problem that any parliamentary committee or advisory committee could face. Reconstruction impinges upon every single phase of Canadian life.

Then, secondly, I would like to describe in broad outline the probable sequence of events at the end of the war. (I must insist that is hypothesis, not prophecy.) Thirdly, I shall attempt to break down the problem into nine sections, as the committee on reconstruction has already done, for the purpose of being sure that nothing is overlooked, and that various segments are integrally related to one another.

I think all of you have received in connection with the minutes of the Committee on Reconstruction a copy of the Basic Memorandum, but I have additional copies here this morning if you wish them. I want to emphasize the fact that this basic memorandum is tentative. The copy that you have is labelled "fourth draft", and what I am saying this morning is in effect the beginning of a fifth draft. I cannot emphasize too much the fact that my committee feels that it is impossible to lay down hard and fast prophecies or a clear-cut framework of the general problem at this stage. What we are doing, what we have done, and what I am saying this morning, represent an effort to develop at each stage of our analysis a pattern, recognizing the sections in that pattern which are hypothetical, and attempting with each development in Canadian affairs and world affairs to re-state the memorandum and the program in keeping with such developments.

#### *Basic Assumptions of the Committee on Reconstruction*

Now, let us take up the basic assumptions on which the committee on reconstruction has worked up to the present time. In order to comprehend the many phases of the reconstruction problem we felt that there should be one clear key, one nucleus, to which everything else was related; and for our committee that nucleus has been the attainment of full employment within the Dominion of Canada. The essential requirement for Canadian prosperity and Canadian progress at the end of this war is that every individual who is able to work, and wishes to work, should have a decent opportunity to work. All our financial, fiscal, political, economic, agricultural and other policies ought to be designed to produce that ultimate result and the appropriate policies should, of course, incorporate solutions for the problem of demobilization as well. Full employment embraces, in fact, the problem of demobilization, the problem of the workers in the munition industries, who will, presumably, be let out at the end of the war and the problem of all other members of the community who ought to be provided for by our economic and social structure,



in the sense that they are able to obtain employment. I would add too that there are a good many people who feel that mere full employment is not by itself enough, that there should also be coupled with that the ideal of an increase in our standard of living. That combination of ideas represents the central theme of the reconstruction problem as the committee has envisaged it.

Secondly, we feel quite definitely that reconstruction is not something which begins one second after the last gun has fired. It is not a problem of the future, but something which is intimately related to the present and to the past. I notice that Mr. Mackenzie (Hon. Ian Mackenzie) in his statement to you pointed out that we shall not end this war with a clean sheet, that we shall not end this war better off than we began it, and that it would be completely wrong in our thinking if we should assume that the war will automatically bring us closer to Paradise when the war is over, we shall not, at the end of this be in a position to start afresh with a full new plan and achieve the ideals that men have already dreamed. Actually the circumstances at the end of the war will be those that result from all the long traditions of this dominion. All the things that have happened in this Dominion will still leave an impress on that particular moment of time, and all things that are happening during this war will leave an equally definite impress. Let me take a few examples: if Canada should greatly expand its production of basic agricultural products for the purpose of feeding Great Britain and other Allied countries then the problem of agricultural readjustment and rehabilitation at the end of the war will be that much more serious. If Canada should decide to specialize in the production of certain types of munitions; for instance, aeroplane fusilages, and to import from the United States or Great Britain engines or other segments of the finished product; that again, creates a particular problem in industrial rehabilitation at the end of the war. If Canada imposes (as it has already imposed) elaborate and necessary controls on many segments of our economic system from the distribution of raw materials up to the price of consumer goods, all of those controls create a pattern of consumption, and a pattern for the Canadian economic system, which is the one which will confront us when the war is finished. It is apparent then that reconstruction is something which must be thought about in advance; partly for the purpose of shaping the war pattern, where that is possible, as nearly as we may according to our ideas of post-war conditions; and partly for the purpose of recognizing exactly the influence that each of these wartime activities, controls and regulations will have upon the post-war Canadian scene.

I would add, by way of addendum to that point, that the importance of reconstruction at the present time in some people's minds transcends that particular problem. There is a growing number of people in the country, as you gentlemen know even better than I, who are at the moment acutely interested in reconstruction problems. It is not that they fail to be interested in the war. It is not that they regard the post war as more important than the epochal events that are taking place from day to day; but rather that the vision of the future which they hope Canada will attain contains something which inspires them to even greater efforts at the present time. It is because they dream dreams and see visions that they are able to gird themselves up and put their whole effort into the immediate war activity. They begin to see ahead the possibility of realizing many of the things they have dreamed of in the past.

That state of mind is not peculiar to Canada; it exists in the United States, and it is widespread in Great Britain. In the deliberations of this committee, therefore,—as in the deliberations of my own—we must be aware of the fact that the psychological importance of our approach to this problem may contribute just as directly to the war effort as clear-cut and carefully planned development of reconstruction policies will contribute to the solution of immediate war problems.

As to the third basic assumption: it is the feeling of the Committee on Reconstruction that we should attempt to preserve as far as we may, compatibly with the attainment of full employment, the basic Canadian tradition of free enterprise and personal initiative in both political and economic life. We are not envisaging the creation of a completely new society, nor are we writing a utopian program of what society might be if there were no traditions. We are attempting to envisage a situation in which there will be carried on all the basic Canadian traditions that we embody in the phrases, "personal liberty" and "democratic institutions."

These three basic assumptions, full employment, reconstruction as a continuing aspect of present policy, and the maintenance, so far as it is possible to do so, of basic Canadian political and economic traditions, represent as nearly as I can sum it up the underlying philosophy on which the Advisory Committee on Reconstruction has worked during the past fifteen months.

### *The Sequence of Events After the War*

In addition to that philosophy it is, however, necessary to have some sort of an idea continually in mind as to what is likely to happen at the end of this war. Let me again reiterate the fact that I am not a prophet; and certainly I do not want to be dogmatic. I have no more precise idea of what is going to happen at the end of the war than any other individual in this room, but each of us has some picture in his mind which, while it must be clear at any given moment is always subject to revision, we are liable to flounder around in an uncomfortable morass.

At the end of the last war there was a sharp up-swing of business in 1919 and 1920. If you will study the facts of the situation, and I hope soon to be able to supply all of the members of this committee with a copy of a report on Canadian developments during that period, you will find that the disorganization of the Canadian economy was greater in the two years from the armistice to the autumn of 1920 than it was during the whole war period. We had mild inflation during the war, but we had far greater inflation in 1919 and 1920. We had a measure of disorganization during the war, but there were acute shortages of manufactured goods and transportation during the post-war boom. Much the same thing happened in the United States after the Civil war, and in Great Britain after the Napoleonic wars, so that there seems to be a pattern of post-war boom followed by post-war depression.

If you look more closely at the situation which followed the armistice of 1918 you can find three sets of factors which were operative, but which will be less important at the end of the present war. In the first place, there was a great accumulation of consumer spending power. Substantial profits were earned by certain industries or enterprises; and very high wages were being earned by many groups of workers in war industries. This money could not be spent during the war because of a shortage of goods, and we came down to the end of the war with this large accumulation of consumers' spending power itching to be spent. Secondly, and to a greater extent, in Great Britain than in Canada, returning soldiers were paid substantial cash bonuses, and these bonuses provided an immediate fund which was often spent on a vacation or on the refurnishing of houses or on some extravagant expenditure during that period. Thirdly, there was a very general desire to get back to business as usual, a restlessness against restraint arising out of the feeling that the war had been ended and that the world was going to be able to get back to the pleasant days of 1914.

No one of these factors will be equally important at the end of the present war. Our taxes are already much higher than they were during the last war. We have imposed price and wage controls and other regulations which attempt, and I think attempt very effectively, to preclude the possibility of excess profits in war industries or sharp increases in the wages paid to workers at the present

time. We have controlled consumer prices. For all these reasons I suspect that there will not be at the end of this war any very large accumulation of purchasing power in the hands of any group in the community, so that the only substantial sums available for immediate post-war expenditure will consist of the funds now invested in war savings certificates, which may be withdrawn and probably will be withdrawn in some measure in that immediate post-war period, together with any forced savings accumulated under plans that this government may adopt in later budgets along the same lines as those already in effect in Great Britain. Both of these amounts will probably be smaller and more easily controlled than the amounts that were involved in 1918 and 1919. With respect to returning soldiers, the plan which the minister put before you at the last meeting of the committee, and with which I am sure you are all now familiar, suggests that although some small cash bonuses may be paid, the dislocation following such an arrangement will not be very serious because they will be distributed by means of a series of periodic payments during re-education, retraining, unemployment, or interrupted education. For this reason also, it is highly unlikely that there will be the same possibility of that sudden splurge of consumer expenditure. In regard to the third point, although this is a little more intangible, I think the average man in the street to-day has less of that desire to get back to business as usual than the average man in the street had in 1918. Don't misunderstand me, I am not saying that people like to be at war or desire wartime restrictions; I am suggesting that men and women recognize that the war has fundamentally changed the pattern of our economic structure. They realize that certain developments, certain changes, certain plans, will have to be carried out, and the experience of the 1921 depression (and the later 1929-1934 depression) have made them rather cautious about suddenly wanting to get rid of all restriction and return to the idea of operating business in the old way. For all these reasons, I think that at the end of this war the business boom will be less intense than it was after the last war, but it seems that there will probably be a boom. I ought however to add that the advisory committee is accepting that idea very tentatively. There is a great deal of discussion about the matter, so that I want to emphasize the fact which I have already mentioned, that this is not a dogmatic prophecy.

Now, if such a boom occurs, the obvious advantage to the Dominion of Canada is that it would provide a slight breathing spell. We ought during that period to be ready to accelerate the rehabilitation of industry, agriculture and commerce to the greatest possible extent. We ought to be able to accelerate the change-over of factories from wartime to peacetime production, both for the purpose of absorbing unemployed workers, whether they be soldiers or others, and also for the purpose of providing a maximum supply of those consumer goods which people in this country and in other countries will need. We ought perhaps to provide during that period for some relaxing of controls, a very complex problem, to which I shall return later on. In short, therefore, I envisage that period of the post-war boom as one in which private enterprise will be given an opportunity, with maximum assistance from the government, to reconstruct the Canadian business system as well as they are able to, and as far as they are able to, during that short period of prosperity; always bearing in mind the fact that there will be certain over-all limitations to the extent to which any individual group could go if it threatened to unbalance the economy.

Such a period of prosperity will come to an end, in any case, and we must also remember that there may not be a period of a great prosperity at all. We are compelled therefore to look to the fact that there will inevitably be a post-war depression either immediately after the war or at the end of this brief period of prosperity. To meet that depression, which will first show itself by local unemployment in certain areas where private enterprise has not been able to meet the needs of the situation satisfactorily, we must have in reserve



some supplementary program of government activity. That government activity presumably will take the form of publicly financed construction projects. I am deliberately using the words "publicly financed" because I do not pretend to suggest at this stage whether they will be dominion, provincial or municipally financed at this stage. But it will be financing and organization by a governmental authority, in the interests of solving the whole problem of re-employment and rehabilitation throughout the community.

That is a brief statement of the probable sequence of events and the place at which these various factors fit in. As I mentioned a little earlier, the Committee on Reconstruction has authorized a study, which is being conducted by Dr. Alice Turner, of the precise sequence of events from 1914 to 1923 in Canada, so that we may have before us a detailed picture of the way in which individual prices and individual industries moved during that earlier war. To supplement that study there are coming forward, although they are not yet to hand, studies of the precise developments in the United States during the same period, which are being made by the Economic and Financial Section of the League of Nations, and a comparable study of the similar developments in Great Britain which is being conducted by the Nuffield group for the Minister without Portfolio in Great Britain.

*By Mr. Martin:*

Q. Is the former under Loveday?—A. Yes. Those three studies will be available for the committee, I hope, within a matter of weeks. The Canadian study is almost finished in manuscript but we have not been able to get the charts reproduced. Since there are a great many charts, that is a difficult job. The other two are now in early draft form, and I hope that we shall have them during the summer, so that there will be some very detailed factual information for those three countries on which any further revision of this hypothesis regarding the sequence of events can be based. I do not know whether you would like to ask questions at this point before I go on to the framework of the problem.

The CHAIRMAN: Are there any members who now wish to ask Dr. James any questions relating to the thoughts he has already given the committee, or arising from those thoughts?

*By Mr. Ross (Middlesex):*

Q. You mentioned studies being made in the United States. Have there been any made, or are there any in the making for South America?—A. I am afraid I cannot answer that dogmatically. I know that the League of Nations is looking to the possibility of making one for continental Europe and one for South America. The great difficulty, in this sort of study, where you want weekly prices and sometimes daily prices, is that for many sections of South American economy no statistics of that kind were compiled during the last war; so whether or not a real study will come, I cannot tell until the League of Nations gives its report.

Q. You have no knowledge whether anything has been done now?—A. No. To the best of my knowledge, there has been nothing but an exploration to see whether such a study is possible.

*By Mr. MacNicol:*

Q. I should like to ask if the committee of which Dr. James is chairman, in considering the question of free enterprise, with which I am in accord, have also considered that after the war there will be perhaps an expansion of what one might call the socialist idea, of great enterprises being operated by the public. I have in mind, for instance, the production of power. There are at present many vast powers which still belong to the governments of the country, either the provincial or national government. In those sections of those great undeveloped powers, at present there is little settlement and where there is some demand for power and will be an increasing demand. I am one who believes that these

great power projects should be developed by the government, and the power sold to the consumer direct from government plants, because the government would be able to produce it and sell it at perhaps a lower rate per horsepower than private enterprise would do. Because of the cheaper power, there would be an inducement to industry to build, and for settlers to come in. In that regard I was wondering if the committee had considered projecting those power developments in advance of settlement and in advance of present requirements, because if the powers were projected, it would provide a vast quantity of immediate labour, and take up a good deal of the slack or probable slack of the men coming home; and through production would invite industry to come in and give employment to those building plants, open mines, invite settlers to come in and give other employment building houses, barns and so forth in those areas. So that while I am strongly in accord with free enterprise, I believe there are parts of our economic business that should be developed by the government. For instance, in Ontario there is the Hydro Electric Power Commission which has been one of the very greatest causes of the great industrial development in Ontario. That has given hundreds of thousands of men employment. I hope the committee will consider that. Although we are, perhaps, most of us for free enterprise, and in favour of encouraging it—and I am strongly for that. I believe that there are certain phases, of which power is one, that this committee or those under the minister after the war can take hold of, and produce power and give vast employment, and through that invite settlement and invite business to come in.—A. On that, Mr. Chairman, I should like to say that the committee is aware of the possibility. At the present time, it has not reached a definite conclusion one way or the other. As I said in the beginning, the idea before us is to preserve private enterprise and free institutions *as far as that is compatible with the maintenance of free employment*, which is exactly the point you are suggesting. Water power is one of the fields in which a great deal of further study is necessary.

*By Mr. Quelch:*

Q. Dr. James referred to the fact that our main objective would be full employment. I do not like that term, myself. Full employment really is a means to an end rather than an end in itself, is it not? The real objective should be optimum production of goods and services. If that is accomplished, automatically you are bound to have full employment. On the other hand, you could have full employment without maximum or optimum production of goods and services, and I think we should stress that our objective is optimum production of goods and services, in order that they may be made available to all the people, rather than maximum employment. We know that in the past we have at times indulged in what might be called "distress employment", just for the purpose of giving work rather than for the purpose of obtaining any definite objective. Another thing Dr. James referred to was the fact that after the war we would be worse off, as I understood him to say, than before. I cannot visualize that unless we are invaded. If we are invaded, and towns, cities, factories smashed up, undoubtedly we will be worse off. But otherwise I would say we are bound to be far better off, because we will have far greater productive capacity possibly than we have ever had before. We will have far more skilled labour. It will merely be a question of applying that skilled labour to our resources in order to give the people of this country the highest standard of living that we have ever had. I noticed that Dr. James was referring to financial debt. On the other hand, I do not know whether Dr. James would agree with the statement of Mr. Graham Ford Towers that a national debt is a national asset, therefore we need not worry about it. The external debt will be greater. The internal debt will be greater. If you are going to consider national debt as a national asset, we should be more prosperous in financial terms after the war. That is the definite statement made by Mr. Towers. As an example, he said, "Take Central Africa—no debt, no prosperity." Then there is the question of

the maintenance of individual freedom. I wonder if Dr. James would agree with some people when they say that they would prefer to have complete freedom, with as little regimentation as possible, even though that entails a certain amount of poverty, rather than have regimentation with security. I do not know whether I could gather that from his statements, because I would certainly disagree with that. I think that the greatest form of regimentation you could have is poverty. A poverty-stricken person is not allowed to give to his family higher education, is not allowed to give his family medical services. He is restricted in many ways. I would say that poverty, in itself, is the greatest form of regimentation that you can have. Those are three questions that I should like Dr. James to deal with before going further.—A. They are fairly large questions. I will take them up in order. The phrase "full employment" is used almost in the sense in which you used the phrase "optimum production." I used "full employment" because, as you know, there is now a very large literature that has developed on this subject, and that is the phrase that is customarily used in this country, the United States and Great Britain to describe a scheme not of just giving people jobs, digging ditches and then filling them up again, but giving them productive jobs where they are able to exercise their skills for the benefit of the community and for the prosperity and welfare of the people in general. If you want to interpret such a policy as "optimum production", it is exactly what I mean by the phrase "full employment", which I use because it is the one that (perhaps inaccurately) has come into general use to describe particular policies in the way that "laissez faire" means something specific to all of us, although nobody envisages a situation where everybody could do exactly as he liked.

I said we should be worse off after the war because to me the greatest loss of war is the terrible casualties involving the ablest men in the communities. I do not think any country is better off when it has lost the cream of its manpower, which is inevitably the result of a war where the army is made up of the fine volunteers that come forward. I admit perfectly well that we shall have greater industrial equipment, but I am not sure that it will be precisely the kind of industrial equipment we need. It will be adapted more to the production of certain highly specialized things like guns and cartridges; a lot of it will be single-purpose lathes and single-purpose tools. But certainly if, with our diminished manpower—and I hope not too seriously diminished—we set to work to use that increased industrial equipment, we can create out of Canada something more prosperous and more welfarious than it has ever been in the past. The attainment of that aim does, however, require creation, because we shall have lots of ill-adjusted manpower to complicate the problems arising from the maladjustment of our industrial equipment.

Thirdly, I am glad you raised the point about poverty being regimentation, because the last thing I wanted to suggest was that we should attain through to an absolute freedom of enterprise at the expense of unemployment and poverty. Remember that I am not now trying to express my own ideas but attempting the very difficult task of summarizing the thoughts of a group of men who make up the committee in a fashion that does justice to all of the individual variations. The phrase I used was the preservation of our tradition and liberty, economic and political, as far as that is consonant with full employment. One member of this committee has already suggested that it may be necessary to have public ownership and operation of power. There may be other fields in which some restriction of liberty is necessary. But the liberty should be as large, as great, as comprehensive, as it possibly can be, providing that full employment, (or optimum production) is attained and every member of the community is secure in the enjoyment of a decent standard of living. While we perhaps have used different phrases, I think we are not very far apart on fundamental ideas.

The CHAIRMAN: Are there any further questions?



*By Mr. McNiven:*

Q. You used the expression "maladjustment of industrial equipment facilities." Would you care to elaborate upon that?—A. Might I postpone that for a moment? I am coming back to the specific problem in one section of the report.

*By Mr. Quelch:*

Q. Will Dr. James be referring to the financial end later on?—A. Yes.

*By Mr. Stirling:*

Q. I should like to ask Dr. James whether at some later stage in his statement he will refer to what to me is the most insistent difficulty of this whole tremendous problem, and that is what is likely to be the market condition of the world after this war. Canada has for a generation or two been largely an exporting country. Throughout the period of the war she has become a tremendously exporting country, not only of raw materials but of finished manufactured goods. It appears to me that the difficulty of foreseeing to any extent what the market situation after the war will be is one of the most insistent difficulties in dealing with this problem.—A. I agree entirely, sir. I should like to postpone that, because there is one whole section of discussion that deals with that point.

*By Mr. Castleden:*

Q. I was very pleased to hear Dr. James state this morning that he is going to undertake a study of trying to obtain work for all, at the same time with as little interference as possible with Canadian traditions and free enterprise. Has there been any study made in regard to finding out wherein there was failure of this tradition of free enterprise in that period previous to this war, wherein there was failure of free enterprise to provide work for all, and whether in the post-war period we are going to remedy that, and whether or not that information will be available in finding out to what extent free enterprise may have to surrender part of its rights to provide work and return for that work for all.—A. That again is a fairly comprehensive question, but I shall answer it briefly at this stage, if you will allow me to do so, and then come back to it later on. A series of studies have been and are being made. The League of Nations Economic and Financial Section in, I think, 1936 (it may have been 1935, but it is about that period) created what came to be called the "Depressions Committee". It is a group of people drawn from all countries, a very able group of people, which was asked to study precisely the question that you raised; what were the flaws in free capitalism and free enterprise which had created the appalling situation in which the world then found itself. A series of reports was published. The first of them was a study by Dr. Condeliffe of the "Course and Phases of the Great Depression". Then there were three very technical studies done by outstanding economists that carefully analyzed certain phases of theoretical development, followed by a comprehensive survey by Dr. Haberler, from Harvard, of the available theoretical knowledge on the subject. There exists, therefore, first the broad picture carefully done; secondly, the detailed analysis and the compilation of theory. On the basis of those studies, a report has now been drawn up, which is now in confidential draft, of the lessons derivable from that experience,—what is the nature of the policy that countries ought to adopt to prevent a repetition of that depression. That report, I hope, will be in publication this autumn and will be available. That answers part of the question and I should like to leave the theoretical discussion until later on.

*By Mr. Martin:*

Q. I have two questions I should like to ask Dr. James. I understand that the United States-Canada Economic Committee, while it has been set up supposedly to deal with current problems arising out of the joint efforts, particu-

larly in the matter of production, in the United States and this country, has nevertheless covered pretty widely the field of post-war. I should like to know if your committee is aware of the conclusions or discussions that have been carried on in that committee. The second question is this. You made a statement that we ought to provide for relaxation of controls. I am not clear as to whether you meant before or after what you think is a likely boom period at the conclusion of the war. Unless you intend to cover this later, I should like you to explain what you mean by saying we ought to provide for relaxation of controls.—A. May I postpone the second question? I have a whole section in the subsequent discussion dealing with the relaxation of controls. In regard to the Joint Economic Committee, the very fact which I have already emphasized, that reconstruction cannot be separated from the war effort, that the two overlap, means that the Joint Economic Committee has given some attention—not very much as yet—to post-war activities. (The reason why they have not done more in this field is that they have been pretty busily occupied on immediate wartime measures.) The Committee on Reconstruction is in continuous contact with that committee. Dr. Mackintosh, chairman of the Canadian section of the committee, is an ex officio member of the Committee on Reconstruction. I and other members of my committee receive reports from the Joint Economic Committee, and the studies of both are carefully integrated, so that while there are two committees that impinge on this problem, there is no conflict between them.

*By Mr. Ross (Middlesex):*

Q. Is there really any, what you might term, international machinery set up, or are the committees working just in co-operation with each other as to the different countries? Is there any co-ordinating committee as between Britain, Canada, the United States and South America?—A. There is no single co-ordinating committee.

Q. Not as yet?—A. I am going to talk a little later on about co-operation between existing groups.

The CHAIRMAN: Are there any further questions? If there are not, I should like to ask one.

*By the Chairman:*

Q. You have said that one of the problems that they were considering now was with respect to the situation at the end of the war when industry which is now making munitions and equipment for war should be converted into making things for peace-time trade. Has your committee been giving thought to the industrialization of those parts of the country which are not now industrialized by reason of war necessities?—A. Yes, Mr. Chairman. We have been considering that; and if I might I should like to refer to that just a little later on where it fits into other aspects of the problem.

Q. All right, Dr. James. Will you just proceed, then?

### *The Framework of the Problem*

A. Against that background I should like to discuss now the framework of the problem. In order that we could be sure that progress would be made, more or less at the same rate, on all fronts, the committee spent several early meetings in attempting to develop a broad picture of what reconstruction actually means in several different fields, and we divided the problem into three broad phases: first, the problems that are purely domestic to the Dominion of Canada, problems in regard to which Canada can go ahead and do practically what she wants without consulting anybody else; secondly, the problems which are domestic to Canada in the sense that they have to be decided by the dominion government, but in which the freedom of action of the dominion government

(or at least the attaining of the results by dominion policy) is conditioned by events and activities in other parts of the world; and thirdly, the group of problems of vital importance to Canada, as has already been suggested, in regard to which Canada alone can do nothing at all because their solution depends upon international action.

## THE FRAMEWORK OF THE RECONSTRUCTION PROBLEM

- I. Problems that are entirely domestic in the sense that Canada can proceed entirely on its own initiative:—
  1. Employment opportunities within the Dominion.
  2. The conservation and utilization of natural resources.
  3. The development of plans for publicly-financed construction projects.
- II. Problems that lie within the field of action of domestic action, although the effectiveness of the solutions will be greatly affected by developments in other parts of the world:—
  4. The relaxation of war-time controls.
  5. The rehabilitation of agriculture.
  6. The rehabilitation of industry.
- III. Problems that affect vitally the future prosperity of Canada, but depend for their solution, in large measure, upon international discussion and co-operation:—
  7. The structure of the world economy.
  8. Monetary and fiscal policies.
  9. Canada's foreign trade.

### *Employment Opportunities*

I should like to take up those three fields in sequence and, as a matter of fact, each of them is sub-divided into three sections. First, the problems that are entirely within the domestic field of governmental machinery, dominion and provincial, within the Dominion of Canada. The first problem there is the problem of employment opportunities. It was obvious to the Committee that the first thing that ought to be done was to see whether there existed, or could be developed, in the Dominion of Canada machinery by which unemployed individuals in any part of the dominion could be brought into touch with jobs requiring their particular skills in any other part of the dominion. As you know, a great deal of progress is being made in that direction at the present time as a result of employment exchanges and employment bureaus and of the legislation that was passed last year. That, however, is only a part of the problem, since it deals solely with the question of machinery and the efficiency of its function.

There is also the question of the size of the labour force which is controlled (and I am using the word "controlled" not in the sense of a governing fiat or regimentation, but simply to describe the factors that operate in a given situation) at both ends, the retirement from the labour market and the inflow into the labour market. At the end where labour leaves gainful employment, there is the whole question of old-age pensions, retiring allowances, unemployment relief, sickness compensation and other factors. The situation there is also one that requires very careful study, to find out what the exact situation is and how nearly it is uniform across the dominion, whether the variations that exist are appropriate to differences in economic conditions and standards of living within the several provinces, where improvements can be made, and how far we are able to take care adequately and comfortably of these people who, through no fault of their own, are compelled to withdraw



from active competition for the available employment opportunities. At the other end of the picture, the inflow into the labour market depends on two general factors, apart entirely from the size of the population, which I am leaving out for the moment. The first is the ordinary school leaving age, which is determined by popular ideas regarding the minimum education which all children ought to have before they engage in gainful employment beyond the ordinary work that they do on the family farm or in the family business. The other is the question of specialized education, where access to certain professions, trades and activities is conditional upon adequate training. You can find a large number of examples of this latter problem—the lawyer who has to go through four years of university, then three years of law school; the doctor who has an even longer period of professional education, and then a hospital internship; a member of the building trades who has to serve an apprenticeship of a specified duration; the technician in certain industries who requires training in a technical school as well as some sort of practical experience.

This whole problem of the organization of the labour market and the availability of employment opportunities is, of course, basic to every other aspect of reconstruction, and it was felt that the logical method of procedure was not to have a series of theoretical studies made. There are already dozens, if not hundreds, of theoretical studies. The Bureau of Labour Statistics in the United States has made many covering this continent. The Department of Labour in Canada has made many. The International Labour Office has compiled a series of very important studies which are available. The Committee on Reconstruction therefore felt that the task was not one of getting a few specialized experts to write more monographs, but of collecting together a committee, on which would be represented many viewpoints and a great deal of technical experience, which could set out to study the present problem and the methods by which it could be solved. I do not know, Mr. Chairman, if you would like me to read the names of the members of those committees for the information of this group.

The CHAIRMAN: You might later put it on the record. It would save time now.

The WITNESS: That committee, of which I will give the membership to the secretary in order that it may be put into the record, is working under the chairmanship of Mr. Tom Moore, whom most of you know.

The sub-committee on Post War Employment Opportunities is as follows:—

*Chairman:* Mr. Tom Moore

Mr. Moore, by trade a carpenter, has long been identified with the Trade Union movement in Canada, is president of the Trades and Labour Congress, was a commissioner under the Employment and Social Insurance Commission, and a member of the National Employment Commission.

#### *Members*

- J. H. Brace, Esq., Vice President, Bell Telephone Company of Canada.
- John W. Bruce, Esq., Canadian representative of the United Association of Plumbers and Steamfitters.
- Pat Conroy, Esq., Secretary, Canadian Congress of Labour, Ottawa.
- Willis George, Esq., Dominion Legislative Officer, Canadian Manufacturers Association.
- Frank H. Hall, Esq., Canadian Vice President of the Brotherhood of Railway and Steamship Clerks, Montreal.
- Alfred Marois, Esq., President A. E. Marois Company, Quebec.
- Enile Tellier, Esq., the Federation of Catholic Workers, Montreal.
- J. Clark Reilly, Esq., Secretary, Canadian Construction Association.

Ivor Lewis, Esq., Staff Superintendent, T. Eaton Company, Toronto.

Colonel Walter S. Woods (ex officio), Department of Pensions and National Health, Ottawa.

It is composed of individuals from the management side of business and of individuals from organized labour. I should hasten to add that it is not made up of representatives from special organizations. We did not go to the trade unions or to the employers confederation and C.M.A. and ask them to appoint people to this committee, but, after carefully exploring the situation and talking to all of the people who might be expected to be familiar with the problem, we tried to bring together a group of a dozen people who came from both sides of the fence in the sense that their professional interests were on those two sides, and who were regarded as being able to offer the maximum of information and judgment regarding the problems with which the committee is concerned. That sub-committee has been working very hard. It has been taking a lot of technical evidence from various people in the dominion government and others outside and I expect shortly that there will be certain preliminary reports available for your information. Of course, if you wish to do so, you can ask some of the members of the committee to appear although I regret very much indeed that you cannot ask the chairman to appear at the moment because, to my very deep regret—and I am sure to most of yours—he suffered a stroke a week ago and is now in hospital.

In regard to retirement from the labour market, a good deal of work is being done at the present time in the Department of Pensions and National Health which has been made available to this committee. Certain studies are being made by the council of social agencies for private plans and data are being collected on business retirement plans. That is still in the process of accumulation.

### *Education*

The field of education, which is intimately related to Employment Opportunities, offers a very difficult problem to approach, because it is one that is clearly under provincial control and one for which the dominion government, under the British North America Act, has no direct responsibility. In that field the Committee on Reconstruction felt that the appropriate procedure was one of preliminary exploration. A small informal group is being brought together composed of outstanding educators from several of the provinces to discuss the general aspects of the problem in regard to primary education, technical education and higher education. It is expected and hoped that out of these explanatory discussions there will emerge a committee on which the provinces, of course, will be represented by their own appointees and which will have the confidence of all the provinces as well as of all educational groups, so that it may be able to make a thorough-going and constructive recommendation. Progress in that field has been slow, deliberately, because to hasten things would simply be to cause a good deal of misunderstanding where the real purpose is one of bringing together the best minds from all of the educational authorities, universities and private schools, that may be able to contribute effectively to the improvement of Canadian education, particularly in its relation to this problem that is always the important one, of the inflow of properly qualified people into the labour market so that we may be able to attain, not only full employment in the barest sense but prosperous full employment with the opportunity to each individual to enjoy the finest things of life as well as to possess the capacity to take a good job and to earn a reasonable standard of living.

*Conservation and Wise Utilization of Natural Resources*

Secondly, under these purely domestic problems, is that of conservation and utilization of natural resources. It needs no words of mine to point out that Canada's natural resources are one of her greatest assets. Forests, fisheries, mines have not only provided a substantial proportion of the goods that we need for our industries but they have also been one of the great amenities of this continent. They have contributed to the aesthetics of the standard of living. They have attracted tourists from all parts of the world and they must play a very significant part in any reconstruction program, both for their preservation and because their constructive conservation and utilization is apt to provide substantial employment opportunities in the immediate post-war period.

In that field also it would seem a waste of time at this stage of our work to engage experts to make special studies. There is a mass of information in the various departments of the dominion government. There is even more information in the departments of the various provincial governments that are responsible for the administration of these resources. There have been a series of co-operative studies made by experts; and there is, of course, a great deal of information in the hands of business organizations operating mines or pulp woods or other segments of our natural resources. In the field of conservation also we have followed the same practice as that already described in regard to Employment Opportunities. A sub-committee has been set up under the chairmanship of Dr. R. C. Wallace who, as you know, is at present principal of Queen's University, who is an outstanding geologist and was formerly Commissioner of Mines and Resources for the Province of Manitoba. That committee is composed of representatives of the dominion government, provincial governments and private enterprise in the various important fields of natural resources.

The sub-committee on conservation and development of and natural resources is as follows:—

*Chairman:* Principal R. C. Wallace of Queen's.

Principal Wallace, a geologist and mineralogist, is a former Commissioner of Mines and Resources of the Province of Manitoba, a former President of the Royal Society of Canada, and a scientist who has always taken the deepest interest in the natural resources of this Dominion.

*Members*

D. Roy Cameron, Dominion Forester, Department of Mines and Resources, Ottawa.

E. J. Carlyle, Canadian Institute of Mining and Metallurgy.

J. B. Challies, General Manager, Shawinigan Water and Power Company.

Dr. A. G. Hunstman, Department of Zoology, University of Toronto.

Professor Esdraw Minville, Ecole des Hautes Etudes Commerciales, Montreal.

Dr. J. J. O'Neill, Dean of the Faculty of Graduate Studies and Research, McGill University.

John McLeish, Ottawa.

Dr. A. F. Coventry, Department of Lands and Forests, Toronto.

This subcommittee is engaged at the present time (and has been lucky enough to get the voluntary cooperation of the Royal Society of Canada) in accumulating and correlating information, and in bringing before it or bringing into touch with it various experts in the dominion government at Ottawa, so that a clear picture could be obtained. We hope in the near future that one



or two type studies will be made, one in Ontario and one in the west, of a correlated development of water power, forestry, farming and perhaps mining, where these various activities occur in a single area. In Ontario a local committee has been formed with the approval of the provincial government, and I hope that during the coming summer it will be able to tackle the study of one particular area in Ontario, using all the resources that the Dominion government and the provincial governments can provide, to give us one experimental survey of what may be done by joint and coordinated activity in this very important field.

### *Publicly Financed Construction Projects*

Thirdly, in this field of purely domestic activity, there is the problem of developing a programme of publicly financed construction projects. As I have already said, it is probably going to be necessary at some stage in the post-war situation for government—Dominion, provincial or municipal—to step into the picture primarily in order to provide employment in an area where business is beginning to become slack. In order that this can be done, it is essential that there should be well-laid plans available long before that moment develops; and it has been the experience of many countries which have used publicly financed construction projects, to cure unemployment during the last ten years, that the difficulties arise not at that stage in the project when you employ labour or buy material to put up a bridge or build a dam or construct a new public library. The greatest difficulties are encountered in that early stage when it is necessary to prepare careful plans, to determine the quantity of materials that must be used, to determine the type of men that are needed, to estimate the cost, and above all, to determine the exact type of project and its location. In this field you are dealing with something that must, by its very nature, be local. If unemployment develops in British Columbia, the project must be situated in British Columbia and not in Ontario or Nova Scotia. Similarly, if unemployment develops at any other particular point, it must be at that point (or very close to it) that the project is put into effect, or else you may find yourself confronted with the undesirable task of trying to move substantial numbers of workers from one section of the country to another, a task which has been found to be very difficult, as well as unsatisfactory in these British cases where an attempt was made to move people from distressed areas in Wales to certain other parts of the country where new industries were developing. There must, therefore, be close cooperation between any dominion organization and the provincial and municipal organizations, responsible for such projects, and a determined effort must be made, long before the war ends, to develop carefully drawn plans for a variety of possible projects.

In this field the Committee on Reconstruction has set up a sub-committee under the chairmanship of Mr. Cameron, the chief engineer of the Department of Works and Buildings, on which are representatives of various bodies, the names and occupations of whom will appear in the record.

The sub-committee on Publicly-Financed Construction Projects is as follows:—

*Chairman.*—K. M. Cameron, Esq. Mr. Cameron is the chief engineer of the Department of Public Works, Ottawa, and has spent a great many years as a leading government official in this department.

### *Members*

M. deGaspe Beaubien, Esq., a leading resident of Montreal.

C. B. Jackson, Esq., Construction Controller, Department of Munitions and Supply, Ottawa.

- A. MacNamara, Esq., Acting Chairman, Unemployment Insurance Commission, Ottawa.
- G. S. Mooney, Esq., Economic and Industrial Bureau, Dominion Square Building, Montreal.
- F. W. Nicholls, Esq., Director, Dominion Housing Act, Department of Finance.

This sub-committee is at present trying to do two things. First, it is working on the problem of plans that will enable it to recommend the creation in Canada of something corresponding to the public works reserve in the United States. This public works reserve, as most of you know, is a federal organization with an elaborate technical staff which is at present discussing matters with the several states of the Union and encouraging them to prepare specific plans for post-war projects of this kind. There is no implication in these discussions of any financial commitment. The states which undertake projects will presumably finance them themselves, although at a later stage the federal government may come into the picture. Our idea in Canada is similar—to postpone the discussion of actual financial commitments by the dominion, provincial or municipal authorities, and to concentrate on the task of developing a clear picture of what ought to be done in provinces like Ontario or Quebec (or even more narrowly in such cities as Montreal, Toronto or in any other community that you want to mention where the authorities will make plans). What are the desirable projects that contribute to social good? What will they cost in terms of material and labour? How long will they take? If we can compile a complete list of projects for each area, and this list can then be the subject of subsequent financial discussion between the municipalities and provincial governments, or between the provincial governments and the dominion government, we shall have progressed a long way towards solving our problem. Even if Canada should be fortunate enough never to have to use publicly financed projects for the purpose of meeting unemployment, it still would have been time well spent to develop such an insurance against a conceivable unemployment situation.

Secondly, in addition to preparing plans for a Canadian public works reserve, the sub-committee, serving under Mr. Cameron, is trying to develop criteria, or standards, by which such projects can be appraised. It is necessary that there should be certain clear-cut methods of accounting and documentation, certain standards as to the drawing of plans and the preparation of specifications. This is perhaps a very dry subject and one that, apart from engineers and architects, has little professional interest. But it is one that is essential to the building up of any large group of construction projects and, much more important, to the putting of those projects into effect at the moment when they become necessary. Those three fields—employment opportunities, conservation of natural resources, and publicly financed construction projects—represent, Mr. Chairman, the developments in the purely domestic field of Canadian activity. I do not know whether you wish to stop at that point for questions or not.

The CHAIRMAN: Have any members of the committee any questions to ask?

*By Mr. MacNicol:*

Q. Yes, I have. I should like to ask Dr. James a few questions which will be brief and which I think he can answer briefly too. He referred to what the United States are doing in reference to preparing for after-war rehabilitation. I have information that several of the states are already setting up a reserve of so much yearly as against the payment of these works. My first question to Dr. James would be this: has Dr. James' committee given consideration to asking the provinces of Canada to do likewise, to set apart—just using an

arbitrary figure—\$100,000 a year, depending on the province, or more? In the United States some are setting up several million a year toward after-the-war work. Then the second question is this. He mentioned plans and the preparation of plans and so forth beforehand, so that when the time comes works can be projected. For instance, Dr. James will be familiar with the flood-proofing of the Grand River. Has the committee considered setting up a project within the valley or watershed of the Thames River, so that after the war that work will already be projected and all the municipalities will have arranged their commitments? That is question number 2. Then for number 3. He said something about the conservation of forests. In Ontario, I think probably the best example is what is now going on in King township in the county of York. Would the committee have considered following out something like that all over Canada, because many townships are half barren to-day because all their water resources have gone down the river, whereas they should be preserved. I have a fourth question. I found—and the committee will find—that many great natural resources are now tied up, either in estates or families, where some years ago either corporations or financial interests have obtained possession of vast resources but have not developed them. My question in that regard is this: has the committee under consideration releasing any of these resources back to the public again that have been held up for, say, some fifteen or twenty years without development? My last question is with reference to his very last remark. The Doctor made a remark about providing employment. I have just forgotten how he put it, but the question that came to my mind when the Doctor was speaking about employment was this. I remember very well after Sir Wilfrid Laurier became prime minister of Canada there was a very great immigration into Canada from the old country. There was no plan, however, to take care of those immigrants when they came here, but they seemed to have fitted in and brought thousands with them. Their advent brought employment and business. Is there any plan looking towards the admission of immigrants after the war along the lines followed during the administration of Sir Wilfrid Laurier?—A. May I say first of all, sir, that you are anticipating a lot of things which I expect to discuss later. The committee, of course, is still, in the early stages of its work. It has not yet made a recommendation to the cabinet on any of these matters. In regard to the first question I am suggesting that the present stage of our work is one of trying to set up machinery for a public works reserve, and that after that is done, when we have the machinery in operation, I assume that the dominion government and the provincial governments will discuss the matter of setting aside special funds, as has already been done in the United States. They started this as a means of meeting depression, so that they are a long way ahead of us at the present time.

Secondly, in regard to the Thames River conservation and matters of that kind, it is definitely the program of the committee to create local committees and regional committees for such conservation projects.

Q. In advance?—A. In advance. That will probably be done during the coming summer in certain areas but I cannot promise that we shall cover the whole of Canada this summer. It is very hard to find the people that have the ability and the interest, together with sufficient time to devote to this work.

Thirdly, I am familiar with the King township survey, which is excellent, and the type of survey which is now being worked out in Ontario is going to be for a larger area on precisely the same lines. It is, as I said, an experiment, so that we can see how it works and use the same technique in other parts of the dominion.

In regard to the question of natural resources, privately owned, there has been no discussion as yet. Before we discuss questions of expropriation or change in ownership of the resources, it is felt that we should develop a constructive plan. If the plan is obviously constructive and beneficial, a good many of



the private owners will wish to come in and co-operate along with the provincial public owner. If there are difficulties with private owners, and they refuse to come in, the government would be in a position to tackle that problem when it arose.

In regard to immigration, that comes up a little later in my discussion. We have not developed any formal plans in regard to immigration, but I am going to mention this problem as part of the picture later on.

The CHAIRMAN: Are there any further questions?

*By Mr. Quelch:*

Q. There is one point which Dr. James referred to. I think he said that where industrial activity or business fell off and unemployment increased, it would be necessary to put into operation various projects. Suppose that is done all over the Dominion in order to provide for unemployment. Suppose after that it was still found that we were not sustaining the demand against the production of consumer goods in the country. It seems to me that we have one of three alternatives. We can either divert a certain amount of labour from the production of consumption goods into capital goods, using the term in its widest sense to include public projects; or we could try to expand our favourable balance of trade, which I would not support for one moment; or thirdly, we could put into operation a plan somewhat similar, we will say, to the food Stamp plan. I notice in your brief that you gave to the committee that there was no mention of that. Will you be dealing with that later on?—A. Yes.

*By Mr. Bertrand:*

Q. I notice that in the breakdown of the three problems you mentioned agriculture. Has attention been given to the present production of agriculture on the internal market and the world market, and how to direct it when the time comes after the war to try and right this problem?—A. May I postpone that, Mr. Bertrand, because I am coming to that in the next section.

Q. Thank you.

*By Mr. McNiven:*

Q. You referred to the wisdom of moving labour from depressed areas to points in other parts of Canada where industry was being carried on. Have you considered either now or afterwards the advisability and the wisdom of establishing industry in those depressed areas—rather the converse of what you suggested, the movement of labour to industry. I would suggest the movement of industry to labour.—A. I am going to mention that a little later on, if I may postpone it until I am talking about industrial rehabilitation.

Q. Thank you very much.

The CHAIRMAN: Are there any further questions for Dr. James at this time? If not, I shall ask him to proceed with his presentation. We are working you pretty hard, Doctor.

### *The Relaxation of Wartime Controls*

The WITNESS: I am delighted to be worked hard. I am very much interested in the work this committee is doing, and eager to offer all the assistance that I can.

The second broad group of subjects were, as I said, those which are within the power of the Canadian government in the sense that Canada can develop and carry out a specific policy, but in which the effectiveness of that policy is going to be conditioned by developments in other parts of the world. The first problem in this group concerns the relaxation of wartime controls. I have

already suggested—and all of you gentlemen know it, so I am not going to develop the point in detail—that during this war Canada has instituted a very elaborate series of controls of practically every aspect of economic life, the most recent of which is price and wage control, while the earliest was the controls that were developed for priorities, foreign exchange, and the industrial use of raw materials. We have controls of employment and of the distribution of technical labour; while the newspapers suggest we may soon have actual rationing of various commodities.

At the end of the war, if we are going to get back to a less controlled economy or a free economy, whichever phrase we want to use, it is perfectly obvious that those controls will have to be relaxed gradually and wisely. There would be chaos if all controls were suddenly abandoned on the morrow of the armistice, and that chaos would extend not only to the Dominion of Canada, but to many other countries, because the controls that we have imposed are to-day geared to the economic activity of other countries. I need only mention, as an instance, bacon and pig products, to illustrate the intimate relationship that exists between the Canadian controls and the British controls. In the field of foreign exchange control the regulations and operations are geared or meshed tightly together between this country, the United States and Great Britain. In the production of munitions, and the controls that depend on that activity, we are rapidly getting to a position where all of the united nations, and particularly the three that I mentioned, are working on a co-ordinated plan.

Moreover, we have to face a serious psychological problem. Remember that at the end of this war, in terms of the Atlantic charter, we are trying to create a world in which there will be reasonable prosperity, individual freedom and full employment. We have however to face the problem that there will be a completely different set of circumstances on this continent from that in Great Britain. In terms of foodstuffs, for instance, we in Canada and the United States will have a surplus over and above everything we could eat and also over and above that which we can send to Europe in the available shipping bottoms. England, on the other hand, will receive for consumption only those materials for which there are ships and those arising from her own domestic production which, of course, will not meet the total conceivable demand. In using the available ships, consideration must obviously be given to the problem of re-victualling Europe, which I will discuss a little later in some detail so that during the period immediately after the conclusion of hostilities it will be easier in this country to relax controls on consumption than it will be in Great Britain. The question will naturally arise whether there should be some joint policy in timing the relaxation of controls so that policy can be co-ordinated on both sides of the Atlantic, or whether each country is going to operate on its own initiative. In connection with that problem, we should also have to consider whether the European demand for foodstuffs and raw materials (including in that term both Great Britain and continental European allies), are going to be taken care of through centralized government purchasing, as it is at present or whether there will be some relaxation of that practice and a reversion to competitive buying.

It is obvious, in the light of these facts, that that whole problem of the relaxation of controls is one of the most complicated that the community will confront at the end of the war. We can face the fact that everybody will want to get rid of the controls that worry him personally although many people believe that Canada should keep all of the controls that do not seriously inconvenience them. That is a very common and very practical approach, but widespread restlessness is going to mean that each group of controls is under attack from some sections of the community. It is quite obvious however that we cannot relax all controls, so that the desirable procedure to be followed should be that of attempting to find out now (and to keep continuously aware of) the way in which particular controls can be modified, step by step, in a sensible

and co-ordinated fashion. We can then proceed in such a way that the relaxation of control does not create a new problem of anarchy as did, for instance, the abandonment of the control of bacon in Great Britain in 1919, where the result of that abandonment was so serious that the control had to be re-imposed, to everybody's disgust, some nine months afterwards.

In the study of this problem of the relaxation of war-time controls, it seemed to the committee on reconstruction undesirable and inappropriate to set up any general subcommittee. It is not a problem in regard to which a group of well-intentioned men can sit around a table and reach a definite conclusion, because there is not yet available an adequate body of detailed and accurate information. We have therefore proceeded on the assumption that we ought first to make a careful study of the exact effects of control, and of the effect of the relaxation of comparable controls, in the case of particular industries during and after the last war. On the basis of those two sets of data, we should try to develop a program for progressive relaxation of controls, as far as may be practicable, after this war.

For that purpose, various studies have been made which, as in the other fields, I hope to be able to put in the hands of this committee in the very near future. First, a study is being made by Mr. Cohen of the whole machinery of economic control set up under the War Measures Act in Canada. Strange as it may seem, the Committee has found it difficult to get in any one place a handy statement of the actual nature of all of the controls that have been established in Canada since 1939, but this survey is practically finished now, and I hope that you may be able to have it within a few days. Secondly, Dr. Marsh and the staff of the committee have been working on a comprehensive study of the changes that have occurred in the location and extent of Canadian industry during the present war. Where are the new factories? What has been the shift of industrial population? How does the present picture compare, and how will the immediate post-war picture differ, in regard to industrial distribution and concentration from that which existed in August of 1939?

These two are general studies, in addition to which we have instituted three special studies, each of them detailed analyses according to a set pattern, of the nature of the controls in particular industries. Such detailed studies are designed to reveal the exact effect of controls on the standardization or diversity of products, on profit margins, on unemployment, on the organization of the market and on various other factors. One of these special studies, which is in the hands of Prof. Drummond of the Ontario Agricultural College, deals with the meat packing industry; and another, by Prof. Coote, deals with the construction industry. These two experimental studies will, we hope, be the first of several. As you will undoubtedly have appreciated, the Committee took two contrasting industries,—the construction industry, widely scattered over the dominion, with thousands of different enterprises of all sizes and skills, with varying efficiency and varying organization; the meat packing industry, fairly concentrated, utilizing a great deal of fixed capital, not easily moved, under the control of a few large organizations. We will therefore have two completely different aspects of industry and should be able to develop from study of the two reports a standard pattern for the future studies of other industries.

There is a further study by Dr. C. A. Curtiss of Queens University on rental control and its effect on housing. Rental control is different from the other controls already mentioned because it is a control on consumer prices. We hope to find out just how that control has effected the production of new housing, and the utilization of existing housing facilities as well as the effects of decontrol in some countries and of continuing control in other countries at the end of the last war. This is a problem of tremendous importance to the social welfare and the comfort of the population, but one which has not been adequately studied by anybody in the past. There will therefore be available



to the committee on reconstruction, and to your own committee, a considerable number of very carefully prepared reports on this complicated problem of relaxing controls. I hope that, when we have studied those, we shall be able to move forward towards definite recommendations in regard to specific industries.

### *The Rehabilitation of Agriculture*

The second field of domestic policy which is partly conditioned by international affairs is the rehabilitation of Canadian agriculture. It is probable in the first place—although we are not yet sure—that we might expect a slump in Canadian agriculture at the end of the present war, because other nations will come into competition for the British and United States markets. There will be a lessening of the present heavy demand for certain products which has resulted from the war, and there will be a need of adjustment which is always difficult in agriculture because of seasons, the requisite preparation of the land and the slow development of herds. To complicate the picture, there is the whole question of land settlement, since it is to be expected that a good many returned soldiers, under the option given them in the proposed legislation which has recently been discussed by another committee, will wish to settle on the land.

The solution of the agricultural problem is not an easy one, and every one of us realizes that in practically every important agricultural country this problem has been under discussion for the last twenty-five years. Agriculture depends, in part—as has already been mentioned—upon Canada's foreign trade, but I should like to postpone that aspect of the picture because I am coming back to the whole question of foreign trade a little later on.

Agriculture depends too upon another very interesting recent development, namely, nutrition. We have become nutrition conscious in this generation and we have learned—and by “we” I mean not only the Dominion of Canada but many other countries—that the physical health of the population, which is a very precious thing, depends in no small measure on the proper feeding of the children as an absolutely essential measure and the proper feeding of adults as a desirable measure. I should like to say parenthetically that one of the most interesting social developments that I saw during my visit to England was a group of school children in an east end London slum. I had had some contact before the war with that area in Bethnal Green, because it was a slum that was continually in need of assistance from outside areas. One of the things that has been done by the government, as part of its war programme, is to provide for every child in school, at government expense, a first-class hot mid-day meal composed of what the dietitians and doctors call protective foods—that is, foods that remedy deficiency diseases and built up the biological efficiency of the body to resist disease. I was told that these children, at the age of thirteen, are one and three-quarter inches taller, on the average, than they were before the war. And that, let me remind you is in a suburb of London which has been seriously hit by enemy action, where the children have gone down to shelters night after night for a six-months period, so it is not exactly a perfect laboratory for this sort of test. They are one and three-quarter inches taller and eight pounds heavier than their predecessors were in 1937 and 1938. That indicates the kind of thing that can be done by a proper nutritional approach to the problem. I may say also that the cost of that mid-day meal worked out at a little less than 10 cents per head, so that is one of the projects that is not frightfully extravagant.

The reason I am mentioning this incident during the present discussion is that a statement that I cannot guarantee was made to me by one who has studied the problem that if, in the western world, including Great Britain,

Canada and the United States, we were able either by education or public assistance to develop a satisfactory standard of nutrition for all people below the age of 20, we would require all of the agricultural output of this continent as well as that of Argentina. I am not an agricultural expert, and I am merely mentioning that suggestion to indicate that the problem of Canadian agriculture is not only one of foreign trade, important as that is, but it is also governed by our approach to good nutritional standards and adequate feeding, both of which are intimately related to full employment and a decent standard of living for the people of Canada.

There is, however, another problem underlying all of these in the field of agriculture, a problem which is causing concern here and abroad. Agriculture, during the last fifty years, has been greatly mechanized. I have already said that I am not a farmer, but even a layman realizes that a farmer with a tractor and appropriate equipment is able to look after many more acres of land than is his predecessor with two horses and a plough. We are able, with a steadily diminishing agricultural population in Canada, the United States, Argentina, Great Britain and most other countries, to produce a greater quantity of agricultural products; so that we must obtain some clear idea of the number of people that are necessary to meet our agricultural demands and the number which can attain a decent standard of living, with reasonable prosperity and comfort, through farming. On that aspect of the problem, the committee on Reconstruction has instituted a rather comprehensive study which comes under the high-sounding name of "contemporary demographic trends in relation to the agricultural development of Canada", by Professor W. D. Hurd. The purpose of that study is to find out the exact distribution of population between town and country, the per capita production and the consumption of those populations, and to attempt the very difficult task of estimating the optimum production of a farmer, the best size of farm and the most reasonable size for the agricultural population that Canada needs. The first draft of that study is practically completed, and when the charts and other material have been reproduced, copies will be placed in the hands of this committee. I speak for all the members of my own committee when I say we look forward eagerly to your constructive comments and suggestions. This is only the first step in an analysis, and also it is a part of a much wider analysis, because the economic and financial section of the League of Nations is making a comparable study of western Europe, and the Department of Agriculture in Washington is at present thinking of undertaking a similar detailed study in the United States. Once again we will have three sets of studies which will enable us more accurately and adequately than ever before, to study this problem in terms of facts and not only in terms of traditional theory.

To consider all of these problems, there has been set up a sub-committee on agricultural policy under the chairmanship of Hon. Donald McKenzie.

The sub-committee on agricultural policy is as follows:—

*Chairman.*—Honourable D. G. McKenzie.

Mr. McKenzie is the head of United Grain Growers, Ltd., Winnipeg, a former Minister of Agriculture and Immigration in the Province of Manitoba, a farmer himself for many years; active in promoting the cause of the Western Farmers' Movement; has also served as Minister of Mines and Natural Resources in Manitoba and Provincial Secretary.

#### *Members*

Dr. J. F. Booth, Associate Director of Marketing, Department of Agriculture, Ottawa.

W. E. Haskings, Esq., Secretary, Canadian Federation of Agriculture.

Honourable Senator Norman Lambert, Ottawa.

Dr. W. D. McFarlane, Chemurgic Committee, Chamber of Commerce, Winnipeg; Professor of Chemistry, Macdonald College.

J. Stanley McLean, Esq., President, Canada Packers, Ltd., Toronto.

Dr. L. B. Pett, Director, Nutrition Service, Department of Pensions and National Health, Ottawa.

F. E. M. Robinson, Esq., farmer, Richmond, Que.

Dr. C. F. Wilson, Chief of Agricultural Statistics Branch, Ottawa.

Paul Farnalls, Esq., Halkirk, Alberta.

Colonel Walter S. Woods (ex officio), Department of Pensions and National Health, Ottawa.

That committee representing officials from the Department of Agriculture, provincial officials, farmers, representatives of farmers' organizations, is studying these broader questions of agricultural rehabilitation, nutrition, land settlement and also the question, already mentioned, of the possibility of establishing industries in rural areas of Canada, primarily for the purpose of drawing off agricultural population that is not at present earning a decent living and also for the secondary purpose of seeing whether it is possible to have a joint industrial-agricultural community, a seasonal community where people work on their farms in the summer and perhaps in a shop in the winter. That has worked out well in some cases and very badly in others, so that it is still something to be carefully investigated.

### *Industrial Rehabilitation*

A third aspect of these domestic problems that depend partly on world affairs is the rehabilitation of Canadian industry. It has already been pointed out that Canada is more industrialized to-day than at any time in its history. There are probably more workers in factories, proportionately to the total population, than ever before. The total output of manufactured goods is greater. The number of factories and the number of machines in those factories is probably greater, although the Department of Munitions and Supply has very wisely not given out the detailed statistics. That industrial equipment is, however, devoted—and necessarily devoted—to the production of a large number of things that are not very useful in time of peace. You can easily switch over from making aeroplane radios for the combat service to making civilian radios; you may be able to switch over from making rifles to making shotguns and fowling pieces, although I doubt if we will need as many of those as we do rifles at the present time. But you cannot very easily rehabilitate a shell-making factory, which has mainly single-purpose tools, or a factory designed for making cartridges. A lot of the equipment in a factory making tanks is inappropriate to the making of automobiles, and it is probable that we will have more shipbuilding capacity of the simple freighter kind than we need and not enough capacity for passenger liners. I am merely citing a few instances out of thousands that any member of this committee could present.

Canada will therefore face two serious problems at the end of the war. In the first place we must decide clearly what factories ought to be scrapped. It is now generally recognized that at the end of the last war we gave ourselves a lot of grief (and Great Britain had a good deal more grief than we had) by trying to keep in operation factories which were neither necessary nor useful for peace-time operation and so contributed to the general depression. Secondly, since no factory ought to be scrapped if it is of any conceivable use to the community, we should also develop clear plans for rehabilitating the rest of the factories in such a way that they can promptly and effectively begin to manufacture appropriate civilian goods of a kind that are needed. (I am



omitting from this discussion, of course, the munition factories which may still have to produce munitions after the war if we decide to keep larger armed forces or if there are armies of occupation to be supplied). But by and large, the problem of rehabilitation, of switching factories over, putting in new machines where necessary, getting new types of skilled labour where necessary, and reorganizing assembly lines, is something that must be done promptly. If it is not done promptly there will be a great deal of unemployment, as well as a great scarcity of many kinds of goods which people want and which they might reasonably expect to be able to get.

In the study of this problem it is doubtful whether a broad sub-committee would be very useful. We could easily get representatives from various industries to sit around a table and discuss the situation, but there are so many variables between industries, and even between specific plants in a single industry that much time would be wasted. Moreover, studies made by an economist or theorist might miss a good many practical business problems. In this field, therefore, the first stage of the committee's analysis is to ask some of the major industries of Canada to co-operate with it by creating their own committees. In the case of the pulp and paper association, for instance, it is suggested that a committee be set up to study carefully the existing plants of that industry, their capacity, their efficiency, what they can do at the end of the war, what new machines or other reorganization is necessary. Similar studies should be made for each industry so that we may receive those various reports, and on the basis of the recommendations that come from each industry the Committee on Reconstruction and your committee, will be able to study the whole question with all of the material on the table and to develop, I hope, an effective programme for the rehabilitation of each of the major industries of Canada. That finishes the second section, Mr. Chairman. Do you wish me to stop there for some more questions?

*By Mr. Macmillan:*

Q. I should like to ask Dr. James a question. At a meeting of the committee on land settlement for veterans of the present war this morning there was some discussion with respect to the relative needs of manpower for agriculture and industry in the post-war construction period. Some of the members wanted to know if a survey is in contemplation or is in progress by the advisory committee. I should like to ask Dr. James if Professor Hurd's study includes that question?—A. It does not, Mr. Macmillan, answer it completely at this stage. The present study is the first stage in an answer, and after this first preliminary memorandum has been circulated and discussed, Professor Hurd is going to work during the summer, and I hope we shall have by the end of the summer as near an accurate answer to the question as one can get from available statistics.

The CHAIRMAN: Are there any further questions?

*By Mr. Martin:*

Q. Yes. There are two points that occurred to me, Dr. James, in regard to what you have had to say about the relaxation of controls. There were two points which are undoubtedly considered in the studies which you mentioned, but which were not, it seems to me, brought out by you. First of all, in the event that it would be considered desirable to relax controls, that relaxation, would you not agree, would have to possibly in many respects be supplanted? True, it would be relaxation or complete dropping of domestic control but it would have to be supplanted by an international control or a control agreed upon by two or more national entities. Secondly, in considering the relaxation of these controls, or rather in considering the retention of these

controls in so far as domestic application is concerned, consideration has to be given to the problem that would arise after the war and that is not now present under the emergency of war, namely, the constitutional and legal difficulties—rent control, for instance. If it was desirable to continue those after the war, that could only be done by agreement with the provinces because that definitely affects property and civil rights?—A. Yes. You touch there on something that I mentioned very briefly because, without making a long speech, it cannot be treated in detail. That whole program of control, once the war is over, hinges very largely on the two difficulties that you mention—one, the co-ordination of control between Canada and other countries, which might involve either the abandonment of internal control and the imposition of external control by Canada alone or the maintenance of some new form of domestic control co-operatively introduced by two or more countries. Similarly in the case of things like rent control, there must develop either a co-operation between the Dominion and the provinces, or an arrangement by which the provinces act as the executors, by their own free will, of a policy which is co-ordinated through some Dominion body. In the first of these fields I am going to come back to the problem in discussing the external factors, the world problems, that impinge on Canada. The second of them, the relationship of the Dominion to the provinces, we have not touched at all at the present time. We are conscious of the problem of the B.N.A. Act, as everybody is, but it seemed to the committee desirable to find out what the policy should be, and then when that has been approved, to suggest discussions with the provinces as to the way in which it should be carried out.

Q. Mr. Cohen has done some work on that latter point?—A. Yes.

*By Mr. Quelch:*

Q. Since the declaration of war we have had several declarations on the part of the government to the effect that no financial restriction will be allowed to impede a maximum war effort. I was wondering whether your committee is working on a similar assumption, that after the war no financial restriction shall be allowed to impede the successful carrying out of a post-war reconstruction effort?—A. I do not know that we have made any statement quite like that. We are operating, however, on the assumption that a world plan of reconstruction will be one in which finance is certainly not any impediment. The financial policies appropriate to reconstruction which I wish to discuss later on either at this meeting or at a subsequent one, will not in any sense constitute a restriction on the adoption of any of other policies that we are discussing; but I am not sure that it would be wise to insist that finance will never be allowed to influence governmental policy because such a statement might be misunderstood.

The CHAIRMAN: Are there any further questions?

*By Mr. Gershaw:*

Q. Dr. James mentioned the fact that Canada is becoming nutrition conscious, and he has given us some splendid examples of the benefits of these protective foods. It extends to two fields—one the benefit that it is to the rising generation and second, the benefit to agriculture in the production of these foods. I believe that the people are thinking along these lines, but there is a great scarcity of definite information and the publication of the results which can be attained, similar to the results that he mentioned in that east London school. I was wondering if the committee had considered the advisability of assembling this information and making it available to the public even at the present time?—A. To be perfectly frank, Mr. Chairman, we have considered that and thought it was very desirable; but it is a problem that is very hard to approach at the present time because the number of experts

in that field, as you know, is small, and most of them are very hard at work; so that we have not yet been able to develop a scheme for bringing together that information and publishing it. But it is in the minds of the committee that this would be very helpful at an early stage.

*By Mr. Quelch:*

Q. Just in case there should be any misunderstanding respecting Dr. James' remark, I should like to put this to him. He said that no financial restriction would impede any programme that was put forward by the committee. But on the other hand, would the committee refrain from putting forward a programme on account of financial restrictions?—A. I am not sure whether we are getting Jesuitical about this.

Q. There is a difference there?—A. Yes. Let me rephrase my statement so that there may be no possibility of misunderstanding. We begin by an assumption that what we desire to achieve is full employment at a decent standard of living, a programme which you call optimum utilization of natural resources. To that end Canada must develop a series of collateral programmes, carefully thought out and co-ordinated, and the Committee on Reconstruction is definitely of the opinion that financial and monetary policies ought not to stand in the way of executing any programme that is economically and socially desirable. Does that answer the question clearly?

Q. Yes.

The CHAIRMAN: Are there any further questions for Dr. James? If not, I am sure that I can say that every member of this committee and those not belonging to the committee who are present have been extremely interested in and very appreciative of Dr. James' presentation here.

Mr. MARTIN: He is not finished.

The CHAIRMAN: No. I mean for today. We hope to have him back again. That reminds me of something. I was going to suggest to you the consideration of setting up a steering committee, but before we approach that matter of business I think Dr. Macmillan has something he wishes to present.

Mr. MACMILLAN: Before we adjourn, on behalf of the minister who had to leave to attend council, I move, seconded by Mr. MacNicol, that this committee express its deep sympathy with the family of Mr. Tom Moore in their anxiety and that we record our sincere hope for the early re-establishment of Mr. Moore's health and strength.

Some hon. MEMBERS: Carried.

The CHAIRMAN: I am sure that committee, through its officers, will send this expression of sympathy to Mrs. Moore. What is your wish in connection with the steering committee?

Mr. MACNICOL: I will second that.

The CHAIRMAN: Then I will set it up right away, if I may. From the Maritime provinces I would name Dr. Macmillan and Mr. Gillis and I would suggest that Dr. Macmillan should be chairman of the committee; from the industrial areas Mr. Jean and Mr. MacNicol; and from the western country, Mr. Marshall and Mr. McNiven—if those gentlemen will serve on the committee. Whether we will immediately ask Dr. James to be present with us at the next meeting I am assuming will be suggested to us by the steering committee, and arrangements can then be made with regard to further business. A motion to adjourn would be in order.

Mr. JEAN: I move that we adjourn.

The committee adjourned at 1.00 p.m. to meet again Tuesday, May 19, at 11.00 o'clock a.m.







Doc. ... Bill ... Reconstruction and Re-establishment,  
Special Committee, 1942

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SESSION 1942  
(HOUSE OF COMMONS)

SPECIAL COMMITTEE

ON

RECONSTRUCTION AND RE-ESTABLISHMENT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

TUESDAY, MAY 19, 1942

Witness:

Dr. F. Cyril James, Principal of McGill University, Montreal, P.Q.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942







## MINUTES OF PROCEEDINGS

TUESDAY, May 19, 1942.

The Special Committee on Reconstruction and Reestablishment met this day at 11.00 o'clock, a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Bertrand (*Prescott*), Black (*Cumberland*), Castleden, Dupuis, Eudes, Gershaw, Gillis, Harris (*Danforth*), Hill, Jean, MacMillan, MacNicol, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Marshall, Matthews, Maybank, Quelch, Ross (*Middlesex East*), Sanderson, Turgeon and Tustin,—23.

*In attendance were:*

Mr. J. E. Mackay, Secretary to Dr. James' Committee on Reconstruction;

Mr. Robert England, Executive Secretary, Rehabilitation Committee.

Dr. F. Cyril James, Principal of McGill University, was recalled, further examined, and retired.

Mr. Jean moved that a vote of thanks be tendered to Dr. James for the interesting, valuable and comprehensive presentation he made to the Committee.

Adopted unanimously.

The Chairman delivered a message from the Minister of Pensions and National Health expressing his regret at being unable to be present on account of the Air Conference.

The Chairman stated that the subcommittee on Agenda had not yet met, but it should meet and consider the advisability of hearing representatives of Dr. James subcommittees on Agricultural Planning and Industrial Planning.

On motion of Mr. Maybank the Committee adjourned at 1.00 o'clock p.m. to meet again at the call of the Chair.

J. P. DOYLE,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

MAY 19, 1942.

The Select Committee on Reconstruction and Re-establishment met at 11 o'clock. The Chairman, Mr. James Gray Turgeon, presided.

The CHAIRMAN: Gentlemen, we have a quorum now and we will start our proceedings immediately. There are one or two here who were not present at the last meeting of this committee and I would just take a moment to outline to them the procedure which we decided on at our previous meeting. Dr. James, the Principal of McGill University, will again be the witness, and he has broken up his presentation into a number of features. At the end of each feature the subject matter dealt with is thrown open to discussion and questioning by the members. I will ask Dr. James if he will kindly do the same thing this morning, and as he completes the presentation of each section members will be free to put their questions.

Dr. F. CYRIL JAMES, Principal of McGill University, called:

The WITNESS: Mr. Chairman and members of the committee: This morning I want to complete my discussion of the general framework of the reconstruction problem as it has been delineated by the Committee on Reconstruction, and for the benefit of the members who were not present at the last meeting, I shall summarize briefly by saying that the Committee on Reconstruction has divided the whole problem into three fields: first, that group of problems that are entirely within the power of the dominion and provincial governments to control; secondly, that group of problems which is decided in regard to policy by the dominion and provincial governments but vitally affected by foreign situations; and thirdly those problems which depend for effective solution upon international action. At the last meeting I discussed the first two of these groups of problems. I discussed the organization of the labour market, the conservation of natural resources, and the development of a program of publicly-financed construction projects (as important problems in the first group), together with the relaxation of controls, the rehabilitation of agriculture and the rehabilitation of industry in Canada, (which are equally significant in the second group). To-day, I come to what is in many respects the most controversial part of the whole field, a consideration of international policy as it will probably develop after the war. May I make a suggestion, Mr. Chairman: I would like to make a brief presentation covering the general attitude of the Committee on Reconstruction, and then afterwards if you wish to ask questions, either about the committee's policy or about my own views, I shall try to answer them.

### THE WORLD ECONOMY

The international aspect of our problem may be divided into three sections: first, a study of the probable world economy; second, the study of monetary and fiscal policies; and third, a study of Canada's foreign trade.

The general structure of the world economy is obviously not a Canadian problem in the narrow sense, and it might seem strange that a purely Canadian advisory committee should concern itself with it; but it became apparent at a very early stage in the discussions of the Committee on Reconstruction that what

happens outside the frontiers of Canada is of vital importance to any policy that may be adopted in this dominion. The general monetary system of the world and its effect on foreign trade and capital movement, the attitude of this and other countries toward international migration, the policies that are adopted for the maintenance of world peace; all of these things are tremendously significant to what we do, and no matter how ideal Canadian policy might be in the purely domestic field, that policy could be completely wrecked by unsatisfactory developments outside our borders.

Broadly speaking, it seemed to the Committee on Reconstruction that there were only two conceivable types of organization for the post-war world; either the world must attempt to build up some integrated economic organization, or it must divide into a series of regions each of which is integrated within itself, and protected by barriers of tariffs against other parts of the world. I am not now talking about political organization, I am dealing entirely with the economic picture, because the economic condition is either one of a world operating as a unit, or of a series of regions each of which attempts to operate as a unit within itself and competes actively with other regions.

If you accept the possibility of economic regionalism there is a large number of possibilities. In the case of Canada itself there have been people who have suggested that it might become a part of an integrated economic region based on Great Britain and the other British dominions, a sort of Empire Federation economically integrated much more closely than at present along the lines foreshadowed in the Ottawa agreements. On the other hand, there is another group of people who suggest that the economic position of Canada is such that it should be integrated with a Pan-American region focussing on the United States. I shall not present detailed arguments for either of these ideas since they have been widely discussed, but if questions come up in discussion I shall be glad to deal with them. At this moment I want to emphasize the fact that economic regionalism along these lines would necessarily extend to the rest of the world. There would be far eastern regions, under the hegemony of China (or of Japan at some future date); there would certainly be a central Asiatic and eastern European region under the general control of Russia. Moreover, if Canada, and conceivably Australia, should move into the orbit of the United States as a part of the Western Hemisphere region, the position of Great Britain would be such that it would be compelled to link itself up with such western European countries as Scandinavia, Holland, Belgium (and possibly France and the nations of the Iberian peninsula).

All of these suggestions are random hypotheses, and any individual who sits down with a map and a statistical record of the world's resources can, without any difficulty, work out all sorts of hypothetical regions. Unfortunately, however, any such division of the world into regions suggests, at the same time, an infinite possibility of war since nobody has yet suggested any regional grouping which is completely free from friction or certain to prevent the outbreak of hostilities at any future time. For that reason, the Committee on Reconstruction has come to the tentative conclusion that the ideal for the future structure of the world is an organization that is world-embracing in its scope—either because the whole world is treated as a unit or because provision is made for the close co-ordination of the several regions. The centre or nucleus of such an organization would necessarily be some broad economic affiliation between the British Commonwealth of Nations and the United States, a nucleus around which other countries might be induced to co-ordinate their economies and not develop into isolated competitive regions.

The Committee on Reconstruction has not up to now sponsored any specific studies in this field nor has it created a special sub-committee. This is obviously not a field in which a small number of specialists can initially reach valuable conclusions, because the problem is not theoretical. No individual or group of individuals can decide the matter on the basis of a map and a table of figures,

because the result will not be useful unless it takes account of public psychology, politics and the mass ambitions of each of the peoples involved. For that reason no committee or no subcommittee could at this stage make a valuable contribution to the problem. It requires a wide discussion by responsible parties in a well-planned series of meetings. I should report, however, that at the present moment there are two bodies that are studying the picture from the international angle. The economic and financial section of the League of Nations is making a series of very comprehensive studies in the general economic field, and the International Labour organization is making a series of studies in the broad field of labour relations. These studies are now approaching the stage of publication and when they are finished I hope that we shall be able to make supplementary studies from the purely Canadian angle. I should also point out that much information is collected by the Joint Economic Committee regarding the activities in the United States, and on my trip to Great Britain I made an effort to summarize the general feeling in that country regarding the whole problem. In essence, therefore, we are still in the stage of trying to find out what other people are thinking, collecting meanwhile as much information as we can regarding contemporary ideas and past developments, so that we may be able to make satisfactory suggestions at a later stage.

#### MONETARY AND FISCAL POLICIES

The present position in regard to monetary and fiscal policies is similar. There again, we have not established a subcommittee nor have we inaugurated special studies on the purely Canadian aspects of the problem. We have, however, in the Committee on Reconstruction itself discussed this problem at various times and reached certain broad conclusions. In the first place it *appears* essential to the committee, that if there is to be a world economy it is essential that there should be throughout the area of that world economy a co-ordination of monetary policies. That does not imply, in any sense, a restoration of the pre-1939, and still less of a pre-1914, gold standard. I suppose that one of the most extraordinary developments in the field of economic theory during the past twenty-five years has been the development of ideas in regard to monetary problems and the position of monetary policy in world affairs. It is recognized by a very large number of monetary theorists that monetary policy is the handmaiden of commerce, industry and agriculture, and not itself the governing factor by which those basic economic activities should be regulated. There is in this country, in the United States and in Great Britain (I mention these three because I am more familiar with their situation than with that of other countries) a widespread recognition of the idea that the post-war aim of monetary policy must be the attainment of that position of full employment which I discussed at the last meeting. Men realize that a necessary ideal for monetary policy in the period of reconstruction to so provide for the optimum utilization of all natural resources in the community that all productive facilities and all labour will be in a state of full employment, so that the standard of living of the nation may be as high as it can conceivably be.

Theoretically, if you had a perfect monetary policy of full employment in each participating country, it is conceivable that the world might be able to avoid any sort of international monetary agreements. In practice, there are difficulties in the way of attaining that ideal, especially in regard to the differences that may exist in the rate at which production expands in each of the several countries. Such divergences in tempo would offer opportunities for people who are not socially minded, and encourage them to move their capital funds from one country to another, to the detriment of both the losing country and the gaining country. The Committee on Reconstruction is therefore of the opinion that two things will have to be done in the post-war period



regarding the monetary policy. First, it is agreed that foreign exchange controls in something like their present form will have to continue during the post-war period, in order to prevent, during the emergency period of reconstruction, undesirable capital movements. Those controls should, however, be administered in such a way that they interfere as little as possible with normal commercial and industrial operations in the international field. Secondly, it is felt that there will need to be close and continuous consultation between the monetary authorities of the leading economic powers. There have been suggestions privately made in this country, in the United States and in Great Britain, for the creation of a supra-national monetary authority, an authority which would be able to co-ordinate policies of each of the national monetary authorities and aid in the task of making these policies effective. That problem is, as a matter of fact, before us at the present time, but the Committee on Reconstruction has not decided one way or the other because it is felt that at the present time we have not enough information on which to reach a conclusion.

If such ideals of monetary policy as those outlined above are adopted by the Dominion of Canada, it becomes apparent that fiscal policy in regard to taxation and borrowing will be much more closely and intimately related to monetary policy than it has been at any time in the past. The attainment of full employment implies at certain periods an unbalanced budget. It implies that when a program of publicly financed construction projects, such as I mentioned last time, is put into operation the government will be spending more money than it will be collecting in the form of taxes. Furthermore, the whole reconstruction program implies that at the end of this war taxation probably will continue to be heavy for some years. Government expenditure will probably be higher than it was before the war, since the ideals that we expect to attain, and the several problems that will confront us for solution are going to demand a very high level of governmental expenditure. It will therefore be necessary for the government to make reasonable provision for an income not much lower than that which it is spending during the war.

In view of these probabilities, it is obvious that this general field of monetary and fiscal policy it is necessary for the parliamentary committee and the Committee on Reconstruction, as well as every other responsible organ of government, to study very carefully the standard or criteria by which monetary policy is to be judged. Monetary policies directed toward the attainment of full employment are comparatively new things, and the only historical examples that have not ended in chaotic inflation are those which have been tried out, in a few countries during the past ten years. All such policies necessarily depend upon the exercise of human judgment and human initiative to a much greater extent than did the nineteenth century gold standard, so that we must exert every effort to develop satisfactory objective standards of policy and educate the people in the recognition of these standards. No argument of mine is necessary to prove the ultimate danger of excess in monetary expansion, yet each one of us realizes the difficulty, in a democratic community, of explaining to the community the reasons why expansion cannot continue beyond a certain point. We must therefore do all that we can to maintain the position of the monetary authority on the highest line of prestige and assist it in its task by willing recognition of the standards by which its policy must be determined.

#### CANADA'S FOREIGN TRADE

Finally, there is the problem of Canada's foreign trade. This problem is intimately linked up with many things that I have already discussed, but it needs separate mention because of the fact that Canadian prosperity has in the past been intimately linked up with the export of foodstuffs and raw materials. I think that there has never been a period at which Canadians were uniformly prosperous and happy unless the export market were sound and

reasonable profits were being earned by those producing goods for export from the dominion. This generalisation may not be as true after this war as it was before the war. The growth of Canadian industry, which has been mentioned several times in our discussions, together with the raising of nutritional standards, to which we called attention, will mean that there will be a larger domestic demand for our agricultural foodstuffs and raw materials, together with a smaller comparative demand for foreign industrial products. I think, however, that in spite of these changes, Canada will depend on international trade for many of the things that she needs for that higher standard of living which we wish to attain, as well as for the raw materials of some of its essential industries.

Although the statement is platitudinous, I want to insist on the fact that Canada can export goods only to the extent that she is willing either to import goods or services from abroad in payment for her exports; or, to the extent to which she is willing to send capital abroad (either in the old fashioned way of buying foreign securities or through some post-war application of the lease-lend principle). If Canada is going to sell goods abroad either it must take payment in goods or services produced in other countries, or it must frankly express its willingness to supply such goods as a long term capital investment to be paid either by principal and interest in traditional fashion or to be repaid intangibly by better relations and a better ordered world. (These, I suppose, are the considerations involved in the lease-lend policies that the United States has adopted during the present war.) If Canada is to have a healthy foreign trade at the end of this war, it is therefore essential that we should study carefully the extent to which Canada is willing to export goods on either of these hypotheses; either in the case of a comprehensive world economy, or within the frontiers of any economic region of which Canada might be a part. Such a study, which is basic to any further discussion of Canada's foreign trade, can not be made until we have first decided upon the probable nature of the world economy, but it cannot be too much emphasized that the whole basis of our approval should be that we need things from other parts of the world rather than upon the assumption that other nations ought to buy Canadian goods.

You will notice that I have not mentioned those surveys of export markets which have been so popular during the last twenty-five years. I have also left out of the picture any discussion of tariffs. Both of these things are important, and I should be the last person to suggest the contrary, but in the discussions of the Committee on Reconstruction up to the present time it has been felt that neither of these things is as fundamental as the matters which I have already discussed. Tariffs and export markets depend very largely on the structure of the world, either as a unit or regionally, and upon the extent to which Canada is lending capital or buying goods. We have therefore assumed that, if the first stage of the problem is satisfactorily solved, a study of tariffs and market opportunities may be very much more easily attempted. In this instance, therefore, as in the other two aspects of this international picture I want to point out that the Committee on Reconstruction has not instituted special detailed studies, nor has it set up a subcommittee. Our attentions in this field have been concerned with the exploration and co-ordination of available information, together with careful discussion of general trends, in preparation for detailed studies at a later stage of our work.

That, Mr. Chairman, completes my description of the general framework of the reconstruction problem. I will be glad to answer any questions or to discuss points that are not clear.

THE CHAIRMAN: The meeting is now open for questioning, and I am going to suggest purely for the consideration of members of the committee that it might be well if members of committee on rising do not ask too many questions,

or more than one at a time, so that all the members of the committee will have an opportunity of asking questions that may come to them. The meeting is now ready for questions.

*By Mr. MacNicol:*

Q. I would like to ask Dr. James if his committee in its studies has considered the problem of the revaluation of gold, something along the lines that brought about the conference in Washington in 1931 or 1932, and a second conference in London, at which gold was revalued from \$21 an ounce to somewhere around \$35 an ounce. That revaluation was based on arguments that were put forward apparently by Mr. Peter Robertson, of Milton, Ontario—and which he outlined in his book entitled "The Remedy". At that time you will remember the world was in a very depressed state and the effect of revaluing gold was a tremendous improvement in business. One effect was that it resulted in the opening up of a number of mines which would not have been in operation had it not been for the increase in the value of gold. Now, I am not very clear on it at the moment, but my recollection is that Mr. Robertson recommended placing a value of \$40 an ounce on gold for exchange purposes, and of \$100 an ounce for governmental purposes, the spread between the \$40 and the \$100 to be government money to be used in settling international balances. I bring that matter up, because I rather imagine that this committee will want to give some consideration later on to the question of the settlement of international debts. My question is: has your committee considered the effect of the Robertson proposals—I am not very familiar with it myself, I must confess, and I am afraid I could not explain them at the moment—but, has your committee considered this matter of the settlement of international debts by the revaluation of gold?—A. I am afraid, Mr. Chairman, that Mr. MacNicol's question requires a fairly lengthy answer. The situation from 1931 to 1934 was not, I think, entirely as you have described it, Mr. MacNicol, when it is looked at from the angle of the world rather than that of Canada. England abandoned gold in 1931 without a legal revaluation. Gold in the Bank of England was still carried on the books at the statutory price and revaluation of gold as such played no part in the British improvement of business in 1931 and 1932. This improvement was due rather to the expansion in the supply of money, as a part of the inflationary policy aimed at the attainment of full employment. It is to domestic monetary and economic policy in Great Britain that we must attribute the improvement of business in the sterling area. Mr. Roosevelt, in 1933, formally abandoned the old gold standard by the revaluation—under a scheme developed by Warren and Pearson which was subsequently written up in a very elaborate book. The ultimate suggestion of Ward and Pearson, as I remember it, was the doubling of the price of gold from approximately \$20 an ounce to slightly more than \$40, and a bill was passed through Congress, under the title of the Gold Reserve Act, which provided that the President by proclamation might fix the price of gold within fairly wide limits. He actually fixed it at \$35 an ounce, but still has the power under statute to raise that price. Even in the case of the United States, however, I think that the consensus of opinion is that the only effect of the revaluation of gold was to give the United States a differential advantage in export trade. It assisted American exports and retarded imports into the United States, but the internal prosperity of the nation was attained much more by the expansion of the supply of money in the country resulting from—

Q. Through revaluation?—A. No, resulting much more largely from the P.W.A., the C.C.C., the T.V.A. and all those other domestic operations which were carried out through the Reconstruction Finance Corporation and other governmental agencies through the use of borrowed funds.



Q. But did they not provide that extra money through the revaluation of gold?—A. No. To the best of my recollection the United States received a profit of some \$2,000,000,000 as a result of that revaluation, but this fund was used almost exclusively for the purpose of controlling foreign exchange.

Q. Pardon me, right there, while you are at that; you might explain; did not our government reduce the amount of gold that was behind our dollar, both Canada and the States, and thereby get more dollars for circulation?—A. Most countries did not, I think, legally devalue their currencies. While some countries followed the United States and altered the weight of the monetary unit by legislation or fiat, there were others (including Canada) which followed the practice of the United Kingdom and did not fix a new weight for the monetary unit when they departed from the previous structure of the gold standard. This is not, however, an important fact. The significant thing is that the suspension of the gold standard did not, in my opinion, automatically bring about an increase in the supply of the currency. To summarize my answer, I think it is safe to say that the revaluation of gold, as such, is not of great significance to monetary policy in the light of the general aims of attaining full employment. As to the gold standard in the United States, that standard is not likely to be restored in its pre-1933 form, and gold is now held chiefly for the settlement of international balances rather because it is thought to exercise an effect on economic activity. I must repeat however that these are my own views and not necessarily those of the Committee on Reconstruction.

*By Mr. Quelch:*

Q. I see, Dr. James, that you stated in your evidence that finance is not a limiting factor but rather the handmaiden of trade and commerce and industry. I take it that that is, shall we say, wishful thinking. I think Dr. James knows, generally, that this is true in so far as Canada is concerned, that in the period from 1935 to 1939 for example, you will recall that during that period we had an extraordinary high unemployment and industry was running at probably not more than 50 per cent of its capacity; and around that time it was suggested time and again in the house that it might be well to put a certain number of the unemployed on national projects so that the money paid out into their pockets would create a greater demand for the products of industry; and you will recall that at that time we had a very large unfavourable balance of trade, but the reply of the Minister of Finance was that it could not be done because there were no funds available. Is it not true, therefore, in so far as Canada is concerned, that in the period before the war money definitely was a limiting factor?—A. I would agree with that statement, Mr. Quelch. I tried to emphasize in my evidence that there has been an extraordinary development of monetary theory during the recent past. If you were talking of no longer than three years ago, I should have to point out that there was acute controversy, in the United States, Great Britain and Canada, in regard to the aims of monetary policy. I have been astounded in the course of the last six months to find out how much of that controversy has disappeared. A very substantial group of economists in each of these countries has come to recognize that the experiments that were being conducted before the war, in this country and in the United States, as well as in Great Britain, are of great significance to human welfare. Although there is still discussion of many details, and a general admission that the last word has not yet been said on several theoretical aspects, there is a growing feeling that the policies which were sceptically regarded as experiments before 1939 are the very ones that we must attempt to apply more effectively when this war is over.

Q. And may I follow that up with a question that bears on that: I have been a little bit doubtful that with all we know we are really prepared to make any change for this reason; a statement was made in the House of Commons recently by the Minister of Finance in dealing with the billion dollar gift to

Britain stressing the fact that it was desirable not only from the point of view of the debtor country but also from the point of view of the creditor country, because the repayment of a loan embarrasses the creditor country on account of the fact that these goods will enter and will either cause unemployment; that is to say, these goods going into the country will go into the country in competition with the goods being produced there, and in that way will embarrass that country and the country receiving the goods. But if we were prepared to put into effect a financial policy under which it was possible to maintain an effective demand in the production of goods which our goods could be exchanged abroad that would not embarrass us, it would merely mean that the people would be receiving in addition to the production under that two billion dollar gift goods that they can use—it is merely a question of how these goods can be distributed there. If we are going to change our monetary policy, I can see how goods might be very embarrassing. That is why I am wondering as to whether or not the government really realizes the total change in that regard.—A. I am afraid I cannot answer for the Minister of Finance, Mr. Chairman, but answering the question purely for myself, I think there are two things that need to be considered in framing that answer. In the first place, the ministers in each of the belligerent countries are acutely busy at the present time with the immediate problems arising out of the war, and I think it is quite possible that committees like yours and mine might be expected to have considered more fully the details of post-war policy than is possible in the case of cabinet ministers who are busy with the immediate tasks of conducting the war. The second point is that even accepting your philosophy of monetary policy and my own statement as to its adoption I can see that logic in the view of the Minister of Finance. When you remember that during the immediate post-war period we are confronted with an extraordinarily difficult task, that of reabsorbing demobilized soldiers and other people from war industries and changing over to peace industries, it is apparent that an influx of goods from a debtor country might constitute a real embarrassment during the period of immediate reconstruction even though it might be wholly beneficial at a later period.

*By Mr. Castleden:*

Q. I do not know whether Dr. James would be kind enough to outline in a manner somewhat similar to what he has in the international field the conclusions which the committee has come to with regard to monetary policy in the internal field, with regard to debt; first of all, private; and then, secondly in the municipal and provincial field; and then, federally—and that last one, certainly, is a matter of great concern to all the members here.—A. Mr. Chairman, might I ask Mr. Castleden what he wishes me to discuss in regard to debt? I am not quite clear about the question.

Q. I mean private debt; say, the mortgage debt of individuals throughout Canada, the financial debt upon which interest is being paid at the present time, which in some of the provinces is now reaching almost 40 per cent of their annual income; and the matter of being able to pay the interest on the annual debt of our capital debt—I believe before the war that required almost 30 per cent of the annual income from indirect taxation by the federal government?—A. Let me say first of all, Mr. Chairman, that in answering that question I may be going beyond the discussions of the Committee on Reconstruction, because it has not dealt with this problem. I would like what I say to be interpreted as a personal statement, which, as nearly as I can, summarizes my impression of the committee's attitude. In regard to the second question, we have had no formal discussions up to the present time, but the assumption underlying any consideration of that field is that we do not know what the burden of debt will be as a percentage, until we can determine what the post-war national income will be, and how that income will be distributed. It is perfectly obvious that if you can raise the national income, and distribute it in equitable

portion, the portion burden of the present aggregate debt will be much less serious than it was before the war. If that burden still constitutes a difficult problem, the matter will have to be specifically considered, but the underlying idea that I am suggesting is that by means of monetary policy and fiscal policy coupled with the other measures which I have discussed previously, Canada will be able to increase the national income and provide for full utilization of all our production facilities, and full employment of our labour supply. The aggregate national income after this war ought not to be lower than it is during the war and might conceivably be higher. If that situation is attained as a result of all these policies then the debt situation will certainly be less serious.

*By Mr. McDonald (Pontiac):*

Q. I wanted to ask Dr. James, in view of his statements as to the use of gold for the payment of international balances, and having in mind the increased production of gold in Canada and its transfer to the United States; we are taking it out of the ground in Canada and sending it over to the States where it is being buried again there in the form of gold bricks—would it not seem to him that the value of gold after the war would depreciate rather than appreciate?—A. That, again, is not an easy question to answer, Mr. Chairman. As to the present situation I have had the personal feeling that the United States has carried on its gold buying policy, since the outbreak of the war in 1939 and prior to the American entry into the war, chiefly as a means of helping the British Dominions and particularly Canada by buying an asset which they have the legal authority to do, and in return providing us with United States dollars which we can use to buy the munitions of war. At the end of this war, to give you an answer that is purely personal, it is apparent that, in the absence of a supra-national monetary authority or any effective attempt to create a world economy, the value of gold would depend entirely on the fiat of the United States. The United States might grow tired of accumulating gold, and then the price of gold might fall as was the case with silver in 1893. If, on the other hand, it becomes possible to develop the world economy with that degree of consultation among monetary authorities that I have suggested to prevent undesirable capital movements and to accelerate the economic development of those parts of the world that are less advantageously situated—(I am thinking for instance of China and the great Asiatic hinterland),—then I am inclined to think that as its contribution to world prosperity, the United States would probably continue to stabilize the price of gold so that there would be a convenient medium which might be used to settle international balances. That is a purely personal appraisal, and in either case you can see clearly that the value of gold would depend on the policy of the United States; which, as you say, now holds something like three-quarters of the available gold.

Mr. MacNICOL: I have to go, Mr. Chairman, I am sorry, I should like to have asked Dr. James for a little more information about the subject I took up with him earlier, and which it would seem from the question presented by Mr. McDonald that he is interested in also. However, I would like to ask Dr. James, before I leave, if he has ever had an opportunity of seeing that book entitled "The Remedy" written by Mr. Robertson?

The WITNESS: No, I have not.

Mr. MacNICOL: Well, Mr. Chairman, I think we ought to get him (Mr. Robertson) to come before this committee, because he is a very wonderful man. The opinion I have of the matter is this: that the United States has steadily accumulated gold until now they have over half—I don't know how much it is—over half of the available supply of gold in the world with the intention that after the war they will re-establish the gold standard throughout the world; that they would be able to give an impoverished country one, two or three



billion dollars worth of that gold to re-establish it, and then they would establish international settlements on a gold standard basis.

AN HON. MEMBER: Are you suggesting that they would be playing Santa Claus to the rest of the world?

MR. MACNICOL: Yes, they would be playing Santa Claus with that gold. Somebody will have to play Santa Claus if they want to re-establish a monetary system throughout the world based on a gold standard. But what I would like to ask Dr. James is this: has the committee given any consideration to the establishment of a national unit of gold that would be circulated everywhere throughout the world; for instance, call it *rex*—a coin that would be in universal use and would provide a real uniform gold standard?

THE WITNESS: That idea, of course, is one that the committee could not possibly be ignorant of; it has come into the discussion on various occasions. It has not, however, been discussed directly because it is perfectly obvious that the formulation of an appropriate monetary policy is much more complicated than the mere determination of a certain unit. It would be necessary if you had international currency (which could scarcely be called "*rex*" if the people of the limited states are to adopt it)—

MR. MACNICOL: A rose by any other name is just as sweet.

THE WITNESS: It would be necessary to create an international monetary authority, and you would have to give that authority sufficient power to ensure its direction of monetary policy in every country in the world.

MR. MACNICOL: Would that not be in keeping with your suggestion as to a world economy?

THE WITNESS: It is not inconceivable, but it is the ultimate stage of the development of world economy rather than the initial step. I think that the Committee on Reconstruction has felt that such an ideal would be impossible of attainment until the passage of time had enabled us to make progress in the organization of a world economy. That I think, would be the attitude of the committee, and there is a tremendous amount to recommend such a policy in the long run, if the world progresses in the right direction, but it is not something that you can consider as an immediate post-war measure.

MR. MACNICOL: Have you read Mr. Robertson's book, "*The Remedy*"?

THE WITNESS: I cannot say that I have read it, but I heard of it, several years ago in connection with a lot of other literature on this particular subject. I cannot now clearly remember the nature of Dr. Robertson's suggestion.

*By Mr. Quelch:*

Q. Any such suggestion would really mean a financial dictatorship, would it not? I noticed during the Pan-American Conference a statement in the press that the British Dominions along with certain other nations were in favour of the idea of an international currency based upon gold, and it also stated that the internal currency should be tied up with the international currency, based upon it. I take it that Dr. James would not be in favour of that because of the difficulty of tying it in with internal currencies on the one hand, or with international currencies on the other.—A. It is a little difficult to be sure that we mean the same thing when using the same words in this discussion. If I understood Mr. MacNicol correctly he was suggesting a world currency based on a single monetary unit, which, as I said a moment ago, would imply a world monetary authority. If you had a world monetary authority, with the necessary powers, it would be possible to formulate and execute for the whole world a policy of full employment. Even though the ideal may be unattainable, I must admit its desirability, but if we use the term international monetary system to mean the existence of a common unit in each country in a fashion similar to the

pre-1914 gold standard, I think that the proposal would be both impracticable and undesirable.

*By Mr. Hill:*

Q. Is it not true, Dr. James, that it is during the periods of war that a country's debt piles up, and that during periods of peace it tends to disappear? Take for instance, the debt of England after the formation of responsible government: England went through a certain number of years of peace and certain number of years of war, and during every war period she piled up debt, altogether something like twenty-two billions of dollars; and during the years of peace she wrote off all of that debt down to about four billion dollars; which shows that if she had had all years of peace she would not have had that some four billion dollars odd of debt.—A. I think that is true. If you had world peace for a century, with full utilization of resources and full employment, our present debt burden would become a very unimportant problem.

*By Mr. Quelch:*

Q. I was just wondering if Dr. James would agree that it was not always necessary to maintain large favourable balances, as has been done in the past; and I was wondering if he is familiar with the statements that have been made by the chairman of the London Chamber of Commerce and by Vere de Leigh, particularly in the book which the latter has published, in which the author takes a very definite stand, saying that foreign exchange has a certain definite relation to the exchange of goods between nations; and that if any nation refuses to accept goods in payment for its own goods after a certain period of time that debt would be cancelled. I was just wondering if Dr. James would comment on the fourth section of the Atlantic Charter? There have been quite a few processes made in the House of Commons in England regarding the limitation of that clause:

Fourth: They will endeavour, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

It seems to me that already we are going ahead and trying to sign up favoured nations treaties, which, of course, would be legal obligations which would be recognized after the war. If we are going to go ahead and sign up these favourite nation treaties we are to a certain extent detracting from the value of that fourth provision; what good is that charter unless we are prepared to wipe out these agreements at the end of the war?—A. On the first of these questions: I have not read the particular book to which Mr. Quelch refers, but I am familiar with the general theory of accepting goods in return for goods and, if a debt accumulates, wiping out the balance at the end of a stated period. It in effect is a sort of lease-lend arrangement. I think that such a plan has distinct merit, particularly to help backward countries like China to attain prosperity (an achievement that would be beneficial to Canada and every other part of the world) but I think the plan should be carried out by means of international consultation and action. Otherwise, it might become a competitive activity in which each country was competing with the other.

As to the second point, I have not heard the discussions in the house to which you refer, Mr. Quelch, so I do not know the precise nature of the objection. My own personal feeling is that at the present time it is, to say the least, undesirable to increase the number of obligations which might prevent the attaining of a freely functioning world economy at the end of the war.

*By Mr. Maybank:*

Q. May I ask in this connection; you are reasoning from what I might call a sabbatical cancellation of debt—it might be sabbatical anyway—now, that presupposes, does it not, that debts will be owed country to country, rather than by John Brown in this country to Richard Doe in England. What is the method suggested in that type of cancellation to which Mr. Quelch has referred and to which you have given an answer?—A. As I understand the situation, Mr. Chairman; when Richard Doe in Canada sells goods to John Brown in England, he draws a sterling bill and that sterling bill is sold to the Bank of Montreal, or any other bank, in exchange for Canadian dollars. The Bank of Montreal may very easily be required (and in fact is now required under the Foreign Exchange board's control), immediately to remit such foreign balances to the Bank of Canada, so that the foreign balances are in part owned by the government through the Bank of Canada, or any other organization that it sets up to undertake the task. At the end of any stated period, therefore, the Canadian government might cancel the indebtedness of any other country with whom we had such an agreement.

Q. So that it comes down to this, that if we were to have that cancellation of all the debts owing to us by reason of the fact that we did not accept payment in goods that it would be the people of Canada that would be putting up the money to the various Richard Does around the country on whatever the net amount of money involved might be?—A. Yes.

The CHAIRMAN: Are there any other questions for Dr. James before he completes his presentation?

The WITNESS: I have completed my presentation, Mr. Chairman.

*By Mr. Maybank:*

Q. Would you like to put the position of your committee this way: you have already dealt with the things that you—

The CHAIRMAN: Will you speak a little louder, please, Mr. Maybank, so that the members of the committee will be able to hear you?

Mr. MAYBANK: I do not think what I am saying is very important to the others; however, I will be pleased to raise my voice. I gather you have gone over the domestic field, and although I did not have the advantage of listening to you at that time, from what you have said to-day I gather that you took the position that whatever we may be able to do will not be of very much value unless we have such and such a kind of a world. I gather from what you say that we are in the grip of certain international forces and that unless these be friendly anything that we can do inside of Canada is not of very much value; and that about as far as the committee has gone is, it has drawn some lines to show the nature of this international picture, but it has not yet got to the point of deciding what in its opinion should be done about it: is that a fair statement of the extent to which your committee has gone?—A. No, sir, I would not say that that is a fair statement. The committee has decided that a world economy is a desirable thing, by which I do not mean a formal organization of every single country at a given moment of time; but as a beginning some effective agreement between the British Empire and the United States to which other nations would adhere. We recognize that that may be unattainable, and that Canada might be compelled to become a part of a region embracing a smaller group of countries. That is a problem we are still working on, but we are also doing several other things. The committee is actively exploring what ought to be done in either of these circumstances to rehabilitate Canadian agriculture and to rehabilitate Canadian industry.

Q. In either of these circumstances?—A. In either of these circumstances.

Q. That is, your are taking that as an assumption?—A. Yes; and to relax the wartime controls at the end of the war. These three things are being



actively studied and, in addition to that we are working on other problems which are entirely within the power of the authorities in Canada no matter what happens outside; first, the improvement of our employment machinery and our employment opportunities (including on the one hand the creation of satisfactory pension, retirement and sickness allowances, and on the other a more effective educational system to fit people to play their part in Canadian life) secondly, the proper conservation and utilization of natural resources not only to provide employment but also to improve the aesthetics of Canadian life, and thirdly the development of a comprehensive program of publicly financed construction projects, which again will provide employment in a post-war period, and also give Canada some facilities which will enrich its life and provide amenities to its people.

Mr. MAYBANK: I would like to say, Dr. James, that in asking my questions I was aiming merely at precision, I did not intend any criticism at all. Sometimes when we are only trying to be precise it looks as though we were criticizing; but in this case, that is not so.

The WITNESS: I quite appreciate that.

*By Mr. Ross:*

Q. I would like to ask Dr. James for a little information about the general situation as to our relations not only with the United States, but also with the Latin countries in South America, and as to the economics and the machinery which he thinks would facilitate our connections there. I have said all along that our economic machinery on reconstruction should include some opportunity for correlation with the activities of any general committee, I understand there is one, dealing with Latin-American relations. If there is no way at the present time through which this can be done, I may say that I am anxious to see some provision made, perhaps in the form of an advisory committee, so that there can be correlation in the work that is being done on this continent. I think we should be working together internationally on such subjects.—A. I certainly do not want to convey the impression that nothing is being done. As to the list of the actual achievements in this direction, I would list the following. In the first place there is at the moment a very close relationship between the Committee on Reconstruction here and the authorities in Great Britain, in the sense that we exchange ideas and are informed as to what the other is thinking. Secondly, there is already a regular channel for co-ordination between Canada and the United States in the Joint Economic Committees which are dealing with this problem; but, as I have already suggested, the Joint Economic Committee is related to the Committee on Reconstruction by the fact that the chairman of the Joint Economic Committee is ex officio a member of my own committee. Thirdly, the economic and financial sections of the League of Nations with the full authority and co-operation of all the governments that I have mentioned has been engaged in a continuous study of world problems for the purpose of providing information on which decisions could be based. Fourthly, the International Labor Organization is making comparable studies in the field of labour and social security. Fifth, the Pan-American Union in Washington under the leadership of Dr. Leo S. Rowe, as well as the State Department Division headed by Mr. A. A. Berle, are studying the South American situation and its economic relationship to North American and the rest of the world. I should perhaps also refer to the work that is being done by the Council on Foreign Relations in New York at special request of the State Department of the United States. It is making studies of various problems that have been mentioned.

Similarly, there is the Royal Institute of International Affairs in London which has been making similar analyses from the European end. Finally, I

should probably mention the Inter-Allied Council which sits periodically in London, and on which are represented the governments of all the United Nations. We are therefore in a position where a great deal of informal exploratory discussion is going on among nations that you mentioned and where very careful studies are being made of some of the problems. We shall be able, I trust, at some time in the not too distant future to form a committee of the kind that you mentioned for preliminary discussions, and to take effective action. I believe that all countries in the world are a little afraid of calling a large international conference (where there would necessarily be hundreds of people present) until the ground has been very thoroughly surveyed. The complete failure of the International Economic Conference in London in 1933 was due in no small measure to the fact that it was called before there was adequate preparation of the ground, so that it became utterly impossible on that occasion to reach effective agreements. In answer to your question, therefore, I would state that we are moving towards precisely the thing that you want, namely, effective international consideration of reconstruction problems.

Q. What I want to know is this: is there any correlating committee with regard to South America and these other countries?—A. Not any formal committee that I know of, but progress is being made through these organizations which I have just mentioned.

*By Mr. Gershaw:*

Q. Along with that, is the question of the turnover from wartime to peacetime economy. Dr. James mentioned something about the rehabilitation of agriculture; could he tell us a little more about what the committee have in mind, for instance, are they planning the introduction of schemes of construction and things of that kind?—A. I have to put in the qualification that I mentioned the last time; the committee is still studying and has made no recommendations, so that I cannot say what the committee will finally recommend. It is, however, in the field of agriculture working along several lines. First, in collaboration with the committee that is studying the conservation of resources there is envisaged a series of local studies of particular watershed areas. (The excellent study of King County, which has already been carried out, is illustrative of what can be done to improve agriculture and the possibility of producing crops by proper conservation measures which raise the level of water in the soil and improve its fertility). Secondly, the committee's work in the field of nutrition will have as one result an increase in the demand for agricultural products. Thirdly, it is to study the possible integration of agriculture and industry, and the decentralization of industry, which has been mentioned several times in this committee. It is attacking the problem through a study designed to reveal the optimum agricultural population, and should present a fair picture as to what kind of farm community we need to produce all the food stuffs, raw materials, and things of that kind that this country requires. Those I think are the existing lines of approach. We have not yet gone into the technical field of agriculture because that work is being admirably carried on by the Dominion government, through its specialized organization, and also by the various provincial departments of agriculture.

*By Mr. Hill:*

Q. One of the members speaking here said that unless the world succeeded in establishing what you might call a federation of nations it would not be very much good to study rehabilitation of Canada as a separate part. Now, does it not appear to your committee that it is very essential to study the rehabilitation of Canada as a unit due to the fact that after the war we must take immediate steps to rehabilitate the country; and it will take some time, even if the United Nations do succeed in establishing a better type of civiliza-

tion; it is going to take some time to do it. In the meantime, Canada should be prepared to take a little action on its own economic problems?—A. I agree entirely with that, sir. It was for that reason that I discussed first in my presentation the things that are entirely Canadian, and which we might do without concerning ourselves with anybody else at all; and then, secondly, the things on which we have to act but which we cannot finally settle without a knowledge of what is going on elsewhere. Only at the end of my presentation did I discuss the things that are beyond our own control. We begin at home.

Q. Would it not appeal to your committee that this committee of parliament should concentrate a greater part of its activities on these Canadian problems, and leave these other problems to be dealt with at some other time?

—A. I do not think that it is my function to advise the committee of parliament, but I do agree most readily with what you say. As I pointed out earlier, I think that the most important thing in the early stages of this discussion is to be absolutely sure that the Dominion government and the provincial governments are in a position to act promptly in regard to such matters as the employment situation, the public works programme, the surveys of resources, and other vital domestic problems. The same is true in regard to such other matters as the nutritional problem which was discussed at the last meeting, which again is a purely domestic matter and in which constructive things can be done. Although the Committee on Reconstruction is keenly aware of the fact that international developments will exercise a profound influence on the future prosperity of Canada, it is unanimous in its opinion that our first task is to adopt policies that put our domestic house in order. It is for that reason that our attention has been largely focussed on domestic problems up to the present time, as I explained at the last meeting of this committee.

*By the Chairman:*

Q. How far has your subcommittee on agricultural policy proceeded in its deliberations; at what stage is it now?—A. It is a little hard to answer that, because I do not know how you define a stage when you reach it. It is still exploring the field, and at the present time it is, I think, spending a great deal of time on nutrition. That is one of the early things it wants to take up; and it expects, when Professor Hurd's study is before it to give some thought to the general optimum structure of the agricultural population. It has not yet begun its study of the integration of industry and agriculture.

*By Mr. Castleden:*

Q. About what you have said, do I gather that it is your opinion that some form of planning board is going to be required which will regulate production in Canada; first, with regard to meeting the domestic needs of the people of this dominion, and then providing substances to meet the needs of the world outside; so that to some extent we may avoid the effect of those circumstances over which we have no control, such as the gold standard, and the extent to which other nations exchange goods; more particularly to protect our internal economy against being severely injured or badly handicapped in our social activities on account of these foreign conditions? Should we not have some kind of a planning board which will first of all look into the social needs of our own people, the sort of things that you have been outlining to us, that will provide work for all, and give help to all? Do you not think we should have some sort of a planning board?—A. I have a holy fear of setting up new boards, and particularly of anything as comprehensive as a planning board. After all, reconstruction affects every detail of Canadian life. It affects every individual man, woman and child from the time they go to school to the time when they retire on pension, or eventually die. It affects every part of our industry and agriculture. If you set up a planning board



its jurisdiction would be co-extensive with that of the cabinet and parliament. In fact, it would have to be greater than that of cabinet and parliament, because an effective planning board would have to be given powers that transcend those of the Dominion government and include many matters now under the control of the provinces. My own feeling is that the cabinet itself and parliament, as they are now constituted, constitute a planning board. There exists in the present constitutional structure a ministry which is peculiarly responsible for each of the plans of reconstruction that we are discussing. In cabinet and council, all of these phases are brought together, and analysed with all the expert knowledge of the several individual departments. In parliament you have the same problem studied not only with the special knowledge of the members in a technical sense, but also with the special knowledge that they have because of their geographical relationships to particular constituencies. I think that, when the war is over, the real planning council should consist of the cabinet and parliament, and the success of reconstruction will depend entirely on the efficiency, and the determination, with which the cabinet and parliament undertake that task and assume their responsibility. At the present moment, the significance of your committee and of my own committee lies in the fact that all of the time of the cabinet, and much of the time of parliament, is necessarily occupied by immediate war measures. For that reason both committees should attempt in the light of developing conditions in the Dominion of Canada to formulate a reconstruction policy which directly contributes to the war effort in so far as it has immediate effect, and which offers to the government and to parliament when the war finishes a clear-cut program under which they can proceed. I would, however, be opposed personally to the setting up at the present time of an additional planning board, and if I might be permitted to do so I would add by way of addendum a statement to the effect that the opinion of the government in Great Britain, which is useful to us as an example, is that even a Ministry of Reconstruction would be extremely dangerous. Such a ministry after the war would be responsible for the execution of policies affecting every aspect of life in the United Kingdom, but it could not carry out its responsibility except by depending on every other ministry. If and when a Minister of Reconstruction is created, it is assumed that he should simply be a co-ordinating officer, working through the other departments of the government, and not an independent executive.

*By Mr. Quelch:*

Q. Mr. Chairman, on that very subject I have here a statement taken from, "Post-War Planning" issue of January, 1942, which reads:—

If purchasing power is maintained at a high level, we need have no fears that private manufacturers, retailers, wholesalers, and farmers will not come forward and supply the market with the goods demanded by the public—a rich variety of goods at reasonable prices. Private business can and will do the job of production. It is the responsibility of government to do its part to insure a sustained demand. We know from past experience that private enterprise has done this for limited periods only. It has not been able to insure a continuous and sustained demand.

What I wanted to ask was this: Dr. James will agree that a sound backing for internal currency certainly is not necessary—with a gold backing to our currency it might be impossible to put such a board as this into operation. I think perhaps it might be possible in Canada if we could continue to produce large quantities of gold, but it would definitely be a limiting factor on prices.—A. I would agree, sir, that gold reserves, theoretically, are not essential. Whether this would be harmful or not would depend on the legislation of the country in

regard to such reserves. If the reserve legislation provides that the total supply of money is to be proportionately regulated by the gold reserve, I should regard the situation as dangerous; but if you assume conditions similar to those that have existed in the United States during the last ten years, where the reserves were excessive and reserve requirements could be changed, I should say that the gold reserve has no importance in determining the supply of money. It might be regarded as an expensive luxury, but it was not dangerous.

Q. You give no reason why it would be necessary to have that gold reserve to support your internal currency; except, possibly because some people thought there should be a gold backing and so long as they have that money meant something; it was just a concession to their pride?—A. I think that is so. I pointed out in 1930, that, apart from its use in international transactions, gold is used as a reserve for only two reasons; in the first place it is traditional; and in the second place it is sometimes regarded as inspiring confidence when people see it in the central bank.

MR. MAYBANK: I was going to point out to Mr. Castleden and Dr. James that if they are so very much concerned about this planning board that they can get any number of planners at a dollar a man a year.

THE CHAIRMAN: Are there any other questions?

MR. McNIVEN: I would like to ask Dr. James about the proposal to which reference was made with respect to the moving of a section of the population to other parts of the country to correct certain conditions that exist in those parts of the country. I wonder if Dr. James would care to express an opinion as to the wisdom of implementing such a suggestion; namely, the moving of industry to the peoples of certain districts in order to correct a situation which exists there; also I would like to ask him as to what he thinks about the present policy of developing war industries in the provinces of eastern Canada, is not that building up for us a problem for post-war settlement which will present great difficulties? Take in my own province, Saskatchewan, we have in the last five years lost nearly a quarter of a million people, and they have moved down into the industrial life of this province of Ontario and the adjacent province of Quebec; much, I suggest, to the benefit of the industrial life of this area; but at the same time creating for us a real problem at present, and a much more serious problem after the war is over. May I say to Dr. James that I do not think the problem is confined to Saskatchewan alone; judging from the expressions of opinion I have heard on the floor of the house it is equally applicable to the province of Nova Scotia and possibly other parts of the maritimes.

A. The problem there, sir, is that one has to distinguish carefully between two types of industries. It would obviously be uneconomic to set up large iron and steel industries in Saskatchewan where you would have to carry heavy quantities of iron ore, limestone and coal to the province and carry the products out of the province. Your heavy industries, where freight is a major factor, have to be located at those points where you can conveniently bring together the raw materials that you need. Take for instance the experience of Great Britain, where the problem has been discussed rather more than it has here. It was found that you could not shift heavy industries, except as between coal fields. There is, however, a growing number of industries that are not dependent on bulky raw materials. The radio industry is a case in point, as is the whole electrical industry and the motion picture industry. There are many industries that produce the luxuries and comforts of life which could be distributed around the country. The Committee on Reconstruction, while it is in the early stages of its investigation of this problem, has given some thought to a question, which I think is along the lines of your question, namely, to what extent is it possible and desirable to set up a purely industrial population in non-industrial provinces. To what extent would it be desirable to attempt to locate an electrical

industry or a radio industry in Winnipeg? That is one type of problem. The second type is concerned with the extent to which it is possible to integrate agriculture and industry by setting up in the village community or the small town a factory that would operate seasonally, so that the farmers could work on their farms in the summer time and at the factories during the winter time. Such experiments have been successfully carried out in the United States in the canning industry.

Q. And, by Henry Ford.—A. Yes, and by Henry Ford. Many suggestions have been received in regard to both of these problems—and we are aware that several experiments have been conducted in the past.

*By Mr. Castleden:*

Q. Further with regard to what was said about a board and my question as to whether a board was desirable: your answer as I would take it, was that a board was needed but not as a board; rather that this should be one of the functions of government, to plan the resources of the dominion in relation to world needs and in relation to the social needs of the people of the country. Your view is that such a board is needed but that the functions should be carried out by the cabinet?—A. My answer to your question was that another board was not needed.

*By Mr. Quelch:*

Q. The last time we met I think you said that a survey was being made of the development of the resources of Canada, and that survey when it was finished might show that it might be desirable to divert a certain amount of labour from agriculture into other forms of activity. I ask that question of you because we have another committee, the Land Settlement Committee, that is at the present time discussing ways and means of putting another 30,000 soldiers on the land. So I think, if your survey does show that it may be necessary to divert people from the farms to industry that committee should have that information as soon as possible, because it would not be very desirable for us to put more people on the land if you think that it may be necessary to take people off the land.—A. I cannot prophesy what the survey will reveal. It was not designed to suggest that people should be taken off the land, but rather to find out the number of people that could exist comfortably and prosperously on the land, and to that extent we hope that it may serve as a guide in respect to immigration policy. It is fairly definite that there must, in any stage of civilization, be an optimum number of people who can be farmers in Canada and live prosperously, and we ought to have some idea of the prime magnitude of that number. Prof. Hurd's report will be in the hands of this committee in the very near future. The first section is now mimeographed except for the charts, and I imagine the whole thing will be ready in a few weeks. My personal opinion, after looking at the first draft, is that it will not seriously interfere with the settling of 30,000 soldiers on the land at the time you suggest, although it may indicate that in some parts of the country settlement is less desirable than others.

The CHAIRMAN: I would like to inform the committee that I have received a communication from the Hon. the Minister of Pensions and National Health in which he states that he is unable to be present at our sittings today on account of his presence being required at the Air Conference.

*By Mr. Hill:*

Q. There is one point on which I would like to ask Dr. James a question, and that relates to the settlement of these 30,000 returned men on farms: my view is that unless we can set them up in such a way that they will be able to make a living for themselves on farms, especially in eastern Canada, and I would say also on the outskirts of western Canada, unless we can guarantee



these veterans something more attractive than at present settlement on farms is not going to be a success. We have got to do something to make living on the farms somewhere near as attractive as living in other parts of the country has become. They have got to have more attraction than is available to them today otherwise they will not be assets. What I want to ask Dr. James is this: is any study being made with respect to making farm life more attractive?—A. Directly, none at all. It seems to me—(and this is personal again, because I have no authority to answer that for the committee)—that the only way that you can make the farm attractive is by providing that there shall be a large enough demand for the actual output of goods at reasonable prices. That depends, in turn, first upon the buying power of the community at large, the industrial population which I have already referred to; and secondly, upon the number of people engaged in farming and the size of their output. The committee is studying these problems, and as a result of the study that I have mentioned, and other studies, I think we may be able to make suggestions regarding the second phase of your question, the actual standard of living of the farmer. We are not, however, making any direct studies of the rural standard of living.

Q. That may be true; however, it is very difficult for the farmer to establish prices for his products so as to ensure for himself a proper living standard. The farmers' community is forced to pay high prices for things it buys, and it is forced to sell in a restricted market.—A. That goes back to what I said about world economy, and also—

Q. No, no; that is our own internal economy.—A. Well, a protected market is a matter of world economy, while the aggregate volume of agricultural consumption is equally dependent on imports to other countries. I agree that the problem is a very complicated one, but I think that it is best tackled from two sides; from the angle of the buying power of the rest of the population, and from that of the optimum organization of agricultural production. These are the factors that must inevitably form the rural standard of living.

*By Mr. McKinnon:*

Q. You referred to world economic units; is not that pretty much along the lines of what Briand, of France, was so strongly in favour of in 1928 and 1929? I was very much interested in the first phase of your remarks the other day in regard to our domestic situation and the position that Canada as a country is going to be in after the war. However, I have had some thoughts in the matter and I do not know of course whether I am right or wrong; but I have thought that we were in probably one of the most favourable conditions of any country in the world. And you also stated that we would have in all probability a boom after the war followed by a depression; but the boom certainly would not be as pronounced as the last one due to conditions relating to a set of circumstances which are taking place right now that will prevent that happening. But I would like to think that we will have definite prosperity after the war. And my reasons for thinking that are that the country as a whole—if the war does not carry on too long—should come out in reasonably good financial condition. The possibility of people moving from Europe over to Canada and industries that we have not had here before being established, and the fact that when the peace treaty is signed we hope it will be dictated a little less along nationalistic lines than was the case before when they put up high tariff walls, leaving each country to a large extent to itself. I think general indications are that there will be a period of real prosperity for Canada as a country. Now, these are just a few thoughts that I have on the subject, and it is hard for me to get my mind on international affairs. I prefer to concentrate my attention for the present on internal affairs. Those are my thoughts with respect to the immediate position of Canada following the war. I wonder if you think I am right in that connection.—A. I can only answer your

question with an "if". I think all the things you suggest are possible, if we work towards them and persistently attempt to attain our goal. The whole question of the reorganization of the world, of tariffs and trade, of the maintenance of peace, are things that will not just happen. I agree with you that Canada is a country that has important advantages, and in my mind, therefore, important responsibilities. I think that we have got to think constructively about the opportunities that the end of the war will create; and I think that if we do that in the right way we are bound to obtain a large measure of prosperity in this country (so that Canada will incidentally be able to offer some special assistance to other countries). My whole emphasis however is on the fact that we will attain such a situation only if we work towards it constructively. If we miss our chances at the present time we may find ourselves in the position of the United States, which certainly ended the last war in just as favourable a position as this country will end the present war. America did enjoy a measure of prosperity, but from 1929 onwards, that country went through the great ordeal of depression, as the result of ill-judged economic policies.

Mr. MAYBANK: Q. I have the idea that the dictation of peace, if it is done in any spirit of revenge resentment, hatred, and so forth, will cause us to miss the boat entirely. Do you see anything hopeful about the keeping down of hatreds among our allies or in other countries; or, is there anything you can think of that might be done in Canada in that regard?—A. It is a little hard to appraise hatred. After all, we are in a totally different position from the people of Poland, or even the people of Belgium or Holland. It is hard to love one's enemies after some of the things that these people have suffered. There is, however, to my way of thinking, a series of very constructive developments that make me hopeful of the future. One is the sequence of events beginning with the Atlantic Charter, reiterated in the Lease-Lend Consideration Agreement five or six weeks ago, and renewed in the declarations of the governments of Great Britain, of the United States, and of our own country. We are already enunciating principles of justice and mutual dependence. There is also, in the second place the growing plans which are developing in Great Britain, with the advice and consent of all the other United Nations, for the restoration and rehabilitation of Europe at the end of the war. (I imagine that these plans will probably be extended to what will be a devastated Japan at the end of hostilities.) We recognize, all of us, that we cannot build the prosperous world society that we are talking about if we have areas where people are suffering from epidemics and starvation. From these two pieces of evidence there is even now a sign of recognition that the post-war organization of the world must be built on the concepts that we are discussing if it is to be effective. While there will undoubtedly be hatreds in the countries that have suffered the most, it is important that the people of Canada, Australia, South America, the United States and even Great Britain should preserve the will to carry through to completion the design for living which we are trying to fashion.

Mr. McDONALD: Might I just ask, Dr. James, if you have considered it from the financial or economic viewpoint? Take the terms of the peace treaty following the last war, whereby Germany was obligated to pay by way of reparation in gold so many millions of dollars per year to certain respective nations. Now, it was well known at the time and it has been clearly proven since that such an amount of gold was not available in the world at the time with which Germany could meet those reparations payments; and under the terms of that treaty those creditor nations were not obligated to accept goods in exchange for that payment. To my mind they laid there the seeds of the present war. And you see that reason cropping up again, particularly in respect to Japan, complaining about the control exercised by nations, particularly by the United States, over raw materials with the result that they tried to get what they call "a place in the sun"; and for that reason they are fighting for what

they call financial and economic liberty; for the right to live as we live in this country. It may be that there is something in that point, something that should be considered in the future; it is important to my mind that we consider that, if we are to be the victors in this war.—A. I agree with you that the reparations arrangement was bad and contributed a great deal to the present trouble. On a question of raw materials you have to distinguish between legal and economic control. Legally, I suppose Great Britain controls the raw materials of British West Africa. Legally the United States controls most of the world's oil. But when you suggest that the control of raw materials by wealthy countries caused the present war (a question that seems a long way from the responsibility of the Committee on Reconstruction) I can only point to that fact that Germany's imports of these raw materials was greater in 1937 and 1938 than at any time before the last war when Germany presumably had more political control of resources than any she had during these years. Political control is not the same thing as economic control. Although the United States has political control of a lot of the oil, this commodity has been readily sold to anyone who would come along and buy it. In the case of Japan she not only has bought very large quantities of American and British resources, but for the last ten years she has had political control of Manchukuo and various other raw material producing areas where she has erected even higher barriers against export than any other nation. Even though I recognize that the prewar system of exploiting natural resources was not ideal, and hope that it may be improved in the future, I do not think that the present struggle is to be attributed to this fact.

Mr. JEAN: Mr. Chairman, Dr. James has made a very able presentation to this committee and I think it would be the desire of the whole committee that we should express our thanks and appreciation for his very interesting and very able presentation. May I also express the hope that he will visit the committee again and give us the benefit of his own views as well as the result of the studies of his committee and its sub-committees. I would make a motion to that effect.

Mr. GILLIS: It gives me great pleasure to second that motion. I think that our committee and the people of Canada are very fortunate in having a man of the calibre of Dr. James heading this very important committee. I think he made one of the most valuable and comprehensive statements on this question of reconstruction that it has been my pleasure to hear.

Some Hon. MEMBERS: Hear, hear.

Mr. GILLIS: I trust that during the deliberations of our committee from time to time Dr. James will be able to sit in with us. It gives me great pleasure to second the motion.

The CHAIRMAN: Dr. James, I was going to put the motion to the committee, but in view of the applause which accompanied its presentation by the mover and seconder I hardly think that will now be necessary. No doubt you have noticed the concentrated attention which your remarks received from hon. members of this committee, and that in itself will convey to you the feeling of this committee better than any words of mine. On behalf of the committee I wish to express their appreciation to you.

The WITNESS: I thank you, sir, and the members of the committee, very much indeed; and I should like to say on my own behalf that it has been a privilege and pleasure to discuss these matters with you. May I add that if you, sir, invite me to attend again I shall make every effort to be here, because I think your committee and mine confront a major problem which we can go far towards solving by working together and sharing our information.

The committee adjourned at 1 o'clock p.m., to meet again at the call of the chair.





















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SESSION 1942  
HOUSE OF COMMONS

( SPECIAL COMMITTEE )

ON

( RECONSTRUCTION AND RE-ESTABLISHMENT )

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

FRIDAY, MAY 22, 1942

Witness:

Honourable Walter Nash, Minister from New Zealand  
to the United States.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942

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## MINUTES OF PROCEEDINGS

FRIDAY, May 22, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 3.30 o'clock p.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Castleden, Gershaw, Gillis, Mackenzie (*Vancouver Centre*), McKinnon (*Kenora-Rainy River*), McNiven, Marshall, Matthews, Maybank, Mitchell, Quelch, Sanderson and Turgeon.—13.

There were also present a large number of Members of the House of Commons and visitors.

*In attendance were:*

Mr. J. E. Mackay, Secretary to Dr. James' Committee on Reconstruction; Mr. Robert England, Executive Secretary, Rehabilitation Committee; and Brigadier-General H. F. McDonald, Chairman, Board of Pension Commissioners.

The Chairman introduced Hon. Walter Nash, Minister from New Zealand to the United States; also Mr. Hamilton Kerr, Member of the British House of Commons for Cheltenham.

Hon. Walter Nash, at the request of the Chairman, addressed the meeting.

Hon. Mr. Mackenzie expressed the thanks of the Committee to Hon. Mr. Nash for the brilliant, constructive and knowledgeable address which he delivered.

The Committee adjourned at 4.45 p.m. to meet again at the call of the Chair.

J. P. DOYLE,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

May 22nd, 1942.

The Select Committee on Reconstruction and Re-establishment met at 3:30 o'clock. The Chairman, Mr. James Gray Turgeon, presided.

The CHAIRMAN: Ladies and Gentlemen: While this is officially a meeting of the Reconstruction and Re-establishment Committee, as chairman I am happy to see so many present who are not members of the committee. I am not going to waste any time in introductions. You all know who the Honourable Mr. Nash is, and the extraordinary part that he has played in the Social Security system that is now operating in New Zealand.

We also have with us Mr. Hamilton Kerr, who is a member of the British House of Commons; and, by the way, he represents Oldham, which was the first seat represented at Westminster by the Rt. Hon. Winston Churchill.

Hon. Mr. NASH, without any further introduction, would you say a few words to us with respect to a matter which I know is close to your heart?

Hon. WALTER NASH, Minister from New Zealand to the United States, called:

Hon. Mr. NASH: Mr. Chairman, ladies and gentlemen: When I came yesterday to address the luncheon I never expected to be honoured by being requested to come again and talk to a large group of members of the Canadian House of Commons. The opportunity is one which affords me an additional privilege, in that it enables me to renew my acquaintance with the Hon. Mr. Mackenzie, whom I met on a former memorable occasion, that of the Imperial Conference in London in 1937. It also affords me the pleasure of renewing my acquaintance with Mr. Hamilton Kerr whom I had the privilege of meeting when I was out here in Canada in 1933, at which time we were discussing the problems of the Pacific and of the British Commonwealth of Nations.

Yesterday I was privileged to talk for a short time with regard to the war effort of New Zealand, and the background of that war effort; I think the reason I was asked to speak to-day was because of the link-up of the two. The policy of the New Zealand Government—a Labour Government—in its defence arrangements and in its fighting arrangements is that we are not only prepared to talk but we are prepared to fight with all that we have both for and against—for the democracies and the freedom which we think is the rightful inheritance of *everyone*, and *against* those who want to destroy that freedom. So, whilst we are, I think, a very meek, quiet and unassertive group in that little country, the written records of the British Commonwealth show that we can fight when fighting is necessary and that we can help to build when the time to build is ripe. It is the linking up of these two objectives inside our war and peace policies that suggests to me that we have an objective that is worth while.

In concluding yesterday, I emphasized three things, and they are very closely related: one was that no man who goes away from his country to fight ought to be worse off because he goes away to fight. The same applies to women—no woman who goes away to serve ought to be worse off because she goes away to serve; two, that nobody ought to be better off because they stayed at home, and three, no one in the present world situation should at any time expect to profit from the supply of the essential things associated with war.

Now, it is easy to set out, as I said yesterday, ideals of that type; it is much more difficult to give effect to them; but I think that every man and every



woman whose responsibility it is to consider the legislative program of their country and the political progress of their country will agree that these principles, in so far as they can be applied, ought to be applied.

We have built in New Zealand, alongside our fighting policy—our war policy—a social security system. The idea behind the social security system is that in so far as a person is unable to care for himself or herself then it is a collective responsibility to see that those things necessary for physical welfare and cultural life are made available to them; and we have expressed it in words of this type: that the first charge on all the wealth created should be the care of the aged, the care of the young, the care of the invalid; and of those engaged in the production of essential utilities. The aged, because of the fact that the standards we enjoy to-day would not have been possible had it not been for the work they have done in the past years. For the young, because we must provide for the future. We must see that the environment and the influences which mould the character of those who are now growing up are such that they will be able with the knowledge and experience they acquire to make a better world than the world they inherited. For the ailing because they cannot provide for themselves; and ordinary human decency demands that they should share along with ourselves and others, the good things that are available.

That is the simple philosophy that is behind the war policy of the government in New Zealand; and I was asked before going on to reconstruction and its difficulties and to rehabilitation and all its anomalies—I was asked to say just a word about our war effort. Our little country has a population of 1,641,000 at the present time. We have 147,964 in full time war service; at camp, overseas or in New Zealand. We have sent 63,000 overseas, and 5,600 of these are airmen who have a lot of skill and knowledge as a result of the training they have received under the magnificent Empire Air Training Scheme which you are carrying out here in Canada. If that alone was Canada's contribution with respect to this war it is something to be particularly proud of. And the way you have treated our boys, and the training that you have given them—is illustrated by the great work they are doing in Britain. Eighteen hundred of them are still training here in Canada. The New Zealand airmen with the men from Canada, the men from Australia, South Africa and the homeland, are all making a major contribution towards resolving this conflict in the right way.

In the navy we have 5,100 men either on the shore in New Zealand or at sea; 364 of these are Imperial ratings; the other 4,700 are New Zealanders.

In addition to the 147,000 full time men we have something like 61,000 men in our home guard working long hours during the day at their ordinary jobs and turning out at night and on Saturdays and Sundays, to do an assigned task; to guard—watch and defend a particular coastal spot; or to delay the enemy in inland areas if he should be successful in landing in our country. Men of the Home Guard must stay in the places they are assigned to, but they must work during the week and create commodities and materials that are necessary for our soldiers and for the maintenance of our ordinary civilian life. An additional 29,000 men will go into full-time training during the present month; when we will have altogether 240,000 men out of a total population of 1,640,000 on war service. If I were to put that in other terms that may serve to give a better picture of New Zealand's effort, I would say that every man between the ages of 18 and 41 who is not married, if he is passed as physically fit to go into camp, is now in camp unless he is ordered to carry out some more essential work. There are no exceptions for men who are physically fit. Every man between the age of 18 and 31 if married, irrespective of the number of children, is signed up and if passed physically fit must go into camp. Every male between the ages of 18 and 66 must register for service and if not qualified for military duties full time or for the Home Guard he must then be examined to determine what other service he can render in connection with the war.

In addition to that, there are 60,000 women organized in the Women's War Service Auxiliary, 1,700 of these are in full-time Air Force Service and, just the same as your women, they are doing splendid work in the Air Force and the camps. When I left New Zealand they were making arrangements to extend the scope of women's war service in connection with work in Army Camps for example, in so far as such work could be done by women, so that further men might be released for military duties.

But in addition to that we have sent a number of our women to Egypt and other places where our forces are fighting. They were sent there with just an element of misgiving; but when well thought out we were satisfied it was the best thing that could be done. Our boys are young and virile and in going to Egypt they were going to an atmosphere away from their normal home-life. That might suggest that we were travelling along a rocky road. It was suggested that it was not fair to send some of the best of our young womanhood to distant countries where the normal standards do not apply. The argument the other way was, all right, it is just those influences and environment which only the best of our womenfolk could provide that is required. The idea was that the girls selected for this work should be an example and an influence on our men and our young boys who are over there. They were to be the best pick that could be made, physically, mentally, culturally, and from the integrity of character viewpoint; and eventually they were sent. Lady Freyberg, the wife of the general in command of the New Zealand Forces, was the organizer of the work—which was entirely outside the nursing service. These girls are in the Women's War Service Auxiliary doing the military camp and other work in Egypt for which they are suited; and they have had, as we felt they would have, a splendid influence on our boys who are over there to fight. They can remain if they marry, but if they are with child, they must go back to New Zealand and that is the only qualification made. And it has had, and I am hoping that it will continue to have, a splendid effect on the lives and the activities and the habits of the New Zealand men who have gone away to fight.

I do not want to use any more figures to illustrate our war activities. We have a larger coastline than Britain to defend, and we have a total population of only 1,641,000; but every single one of them is willing to do everything he or she can do to defend his or her country; and more than that, everyone must do their bit. However, I do not think that "must" is required in ninety-nine cases out of a hundred. But there is an element of fairness attached to the principle of all being compelled to do their part, without being just willing to obey the legislation that may be enacted.

Of course, I have only given you a sketch, but I wanted you to have that as a background to our social security program. And now, if I may, I will discuss such other matters as may be of interest.

I have explained our Social Security objective; the existing Social Security law already provides many benefits. We give every aged person 30 shillings a week at the age of 60; male and female; if they are married and both are over sixty years of age they receive £3 a week for the two of them. They may own their own home without any effect on their benefit. They can have up to £500 in the Post Office Savings Bank or in any other form of security. In addition they can have an income of £1 per week of their own without it affecting their benefit but, to the extent that they have more than £1 a week then it does affect their age benefit, as we call it.

The second benefit is for the widow. The widow gets 25 shillings a week for herself and 10 shillings per week for each child under 16; and that is continued up to the age of 18 if the mother is anxious—as most mothers of that type are—to keep her children at school.

The next benefit is for the invalid. Every invalid who is not able to follow permanent employment automatically receives 30 shillings a week for himself,

and 10 shillings for his wife; and 10 shillings for each dependent child up to the age of 18 years.

Another extra benefit that I think is the most helpful of any, is what we call the family benefit. The family benefit is a payment made to the mother for every child, provided the income of the home does not exceed £5/5/- a week—it was five pounds but it has since been increased. If the income of the home does not exceed five guineas a week, then six shillings a week is paid to the mother in respect of each child. If the income of the home exceeds £5/5/-, the total benefit payable in respect of any family is reduced by the amount of the excess. Some of you, who had experience in the old country and it is better now, but still not as good sometimes as we should like it to be—and also experience in other countries, will know there was often a dread in the mind of a mother when a child was coming, as to how she was to feed this extra mouth. Often it was not possible, when she set out to make ends meet for those who were already there. That fear has not entirely been eliminated from the mother's mind but it has been reduced by this payment, by right, of six shillings per week to the mother. It is not payment to the father; it is payment to the mother. But in addition to that, all maternity costs are paid by the state. The doctor is paid five guineas for every child where he attends the mother. The nurse is provided for two weeks for the mother whilst the period of childbirth is gone through, or she has the right, without any charge to herself, to attend a maternity hospital. If she wants to go to a special private maternity hospital we will pay the proprietor of the hospital six shillings a day for her. If she goes to what we call St. Helens hospital or any public hospital, all attention including the doctors services is free. That covers the benefits that are associated with the mother's life. This is linked up with the economics of peace and it is linked up with the economics of post-war work. For fifteen years, Mr. Chairman, up to 1935 inclusive, the birth rate of New Zealand went down every year until it reached 16·17 in 1935. Every year since 1935—that is 1936, 1937, 1938, 1940 and 1941—the birth rate has gone up, and it is now 22·97. The birth rate last year was the highest for 20 years and we expect it to go still higher. I do not want to suggest that a woman or mother will have children for economic reasons. That is something that is entirely foreign to the ideas of mother's love and the conception period. But I do say that it does have an effect on the mother when she knows that she is free from that worry of meeting the doctor's bill or extra costs in the home when the next mouth comes that requires to be fed.

All our hospitals, outside of the private hospitals, are entirely free. Medicine is supplied free to everyone who requires it, except some of those fancy medicines which cost the general public about three times what they are worth. You cannot get those types free. You have to pay for them, if you want to pay the cost of advertising. But if it is on the British Pharmacopoeia list, then medicine, if prescribed by a doctor, is free. We have had long arguments with the doctors themselves with regard to free medical service, and come to satisfactory arrangements—which are operating now, except that we have not yet got the full co-operation that we want. Any person can register with any doctor and the state will then pay that doctor fifteen shillings per annum for that patient. If the doctor will not register under the per capita system, then the doctor can receive from the state seven shillings and sixpence for every visit paid by the patient to the doctor's surgery or for every visit paid by the doctor to the patient's home. The procedure in many isolated districts, where a doctor cannot normally get a living, is that the state appoints a doctor and pays him a salary to attend to all the requirements of the people in that given area. These arrangements are also linked up with that idea that we owe collectively to those who cannot care for themselves a share of the things that are necessary for a full and healthy life.

If I were talking on a political platform, I would definitely emphasize the fact that the attention that a person receives from any doctor, or the medicine



he requires, ought not to be dependent on the amount of money he has in his pocket or the amount of money he might have to pay. It ought not to be dependent on that. I do not want to criticize the doctors. They are some of the finest men that we have had in our country. Half of them are serving in the armed forces—either overseas or full time in New Zealand. So there can be no criticism of the patriotism of our doctors. They have done a magnificent work. I am sorry that they are not co-operating to the full, although they are co-operating now, but not to the full as we would like to have them do.

We have a very high living standard. I believe we have the best average living standard of any country in the world. We have not an ultra high living standard, but as far as access to the things that are necessary for ordinary living are concerned—food, clothing and a decent home life—I do not think you can find provisions made for the people as a whole better in any country than you can find in New Zealand. It is that which we are defending; and it is a labour government who feel that everything is at stake in this as well as in every other field unless we win through in this war. I am certain, if you will allow me to say this with all the apologies that are necessary when I am talking to competent legislators, that neither in this country nor in the United States is the full issue of this war understood. I do not think it is completely understood or realized that we will go back one hundred years unless we win—and we *can* lose. We are not certain to win. There have been times during this present conflict when if the enemy had not made mistakes, we would have been in a very difficult position. If, instead of turning on Russia, Germany and Hitler had turned south to the Suez canal, I do not know what would have happened. I think we are so right, so strong and so decent in our outlook that we would have ultimately won through, but it would have taken us a decade or more to have won through and we might have been in really difficult circumstances in the meantime. We do want to drive home to all our people what the real issues are in this conflict.

Now may I say a word concerning the war itself and our people. We are an isolated little country, 1,240 miles from the nearest land to the west, 6,000 miles from the nearest mainland to the east, our boundary to the south, the south pole; to the north, Siberia. If you look at the map, you will find out how isolated New Zealand happens to be. It is in that little spot of 103,000 square miles that our men and women are training and working; and in spite of the fact that those numbers I have mentioned have been taken out of production, our factory production in the first year of war, went up by 9 per cent in volume (13% in value). If I wanted to give you the true perspective of our relationship to Britain, I would say that last year we sent them 751 million pounds of meat. We sent them 253 million pounds of butter. We sent them 265 million pounds of cheese. I hope you will not talk about capturing the overseas' market from the Canadians. Our little country is tremendously fruitful and fertile, and we realize, because of that, the great responsibility that is on us to try to organize it and order it in a way that will be helpful to the whole effort in this conflict and do what we can to help save that little spot called Britain. When we understand what Britain has done—true, she has done a lot of things that have been wrong—but when we understand to the full the contribution that Britain has made to the development of free peoples, we will so realize the amazing balance on the credit side that we will not worry about doing the things that are necessary to help the Old Country to win through. We will do it because we want to help the Old Country win through; but also because unless the Old Country wins through all that we think is worth while is gone.

I now come to Reconstruction, which, Mr. Chairman, must be considered in two fields: one, reconstruction as reconstruction from an economic point of view, the other, rehabilitation of the soldiers. I am certain that unless in the interim period—that is during the war itself—we lay firm and secure foundations on which to build when this conflict is over, we will be faced with greater chaos economically than the world has ever seen or dreamed of in the past. Principles

and procedures that ordinarily govern the production and supply commodities are being changed. To-day supply and demand and the profit factor do not and cannot operate to the full to determine whether any commodity shall be produced and in what quantities. No! you have got to determine what is required to feed men, required to defend our social order, to clothe men, to enable them to fight to overcome the enemy; and whether or not it pays, in the profit sense, has no bearing on the matter. The commodities are required. It is not a financial world that we are living in. With all the apologies that I may have to make myself, as Minister of Finance, or to Mr. Ilsley, as Minister of Finance, we are not living in a financial world; we are living in a material world of commodities, guns, planes, tanks. And the guns and the planes and the tanks and the clothing and the food, that our fighting men require, must be produced so long as we have the physical means of producing them—regardless of the financial costs involved because without them we may lose the war and if we lose the war we lose everything. And when you consider the magnitude of the change-over that will again be necessary—from the production of guns to the production of other things to meet ordinary everyday requirements you begin to realize the difficulties with which we will be faced.

But in addition to that, when this conflict is over the people who will be in most urgent need of the goods that you are producing and that we are asked to produce will have nothing with which to pay for them. Take Europe. They will have nothing to pay us in return for the goods they must have. So we have now, as I see it, outside the diplomatic and the political changes, to find a way in which the commodities that are not at present required to enable us to win the conflict may be so stored and conserved that when the conflict is over they can be made immediately available to the people of Europe and of other countries who require them even though these people may be unable to pay for the food and other goods received. It is likely that millions in Europe and elsewhere will be starving at the end of this war and it is essential if we are to find a way of building up a new world that we should begin by seeing that starving humanity is fed.

We in New Zealand are discussing with the people of the United Kingdom, and I hope will ultimately discuss with Canada and the other countries the possibility of finding ways and means of dealing with what we call surpluses. We have fairly large quantities of meat and cheese and butter and other things that will be in store. We have to find a way during the war of making those available to the people in the starving countries when the conflict is over. That is a very great generalization with regard to the matter, but for many years I believe—I do not know how many—after the war, we will still be working on what can reasonably be defined as a commodity exchange and not on a financial exchange—not on a money exchange. I am not an advocate of the theory that you can solve all problems of production, distribution and exchange without using money. I cannot advocate that because I know what an amazing contribution money has made towards the progress of the world as a measure of the exchange value of one commodity against another. But it will not be a money economy. Britain entered this war as a great creditor nation; she will be a debtor nation when the war is over. Canada may have entered the war as a debtor nation, I cannot say; she may well be a creditor nation when the war is over. We will have paid some of the debts we owe, but we still owe a lot of money. The Prime Minister of New Zealand cabled to me that he had placed before parliament last week a bill to provide for the expenditure this year of 133 million pounds as New Zealand's contribution towards the war, out of a total national income of 220 million pounds. That is about 60 per cent going for war. Then there is also the cost of the Social Security Scheme that I have already mentioned. I ought to explain at this point, that everybody in New Zealand except those in the Armed Forces pays heavily in taxation, the



idea being the soldier is paying when he goes away to fight. We who stay at home ought surely to find the money to enable him to fight; we ought not to ask him to pay and to fight. The soldier fights and those who do not fight, pay. Everybody in New Zealand pays  $12\frac{1}{2}$  per cent on their income at the start,  $7\frac{1}{2}$  per cent towards the war costs and 5 per cent towards the cost of social security. But in addition to that, income tax is paid on income in excess of £200 in the case of single men. On the first £100 excess he pays half a crown in the pound— $12\frac{1}{2}$  per cent—and that is increased by  $1\frac{1}{4}$  per cent on every additional hundred pounds of taxable income. It increases until a maximum of 90 per cent (18 shillings in the pound) is reached for earned income in excess of £3,700. That is, out of every £100 in excess of £3,700 he has to pay 90 per cent in taxes either to social security or towards the cost of the war. The idea behind that is we should pay the maximum proportion of the cost of the war as it goes along. Later on we will have to pay our share of the cost of reconstruction.

The second subject I wish to discuss is rehabilitation. You remember I said no soldier ought to be worse off because he went away to fight. That is an objective and an ideal that is worth while looking towards; but it is almost physically impossible to apply it fully. Take a young boy of eighteen when he goes into camp in New Zealand; he will be twenty-one when he goes away. He breaks his studies, his university studies, his degree studies at that point. And if he is away for five years it is just mentally impossible in seven cases out of ten to pick up those five years again. Many who go away, therefore, can never be recompensed in full. But we have set up a procedure under the direction of what is called the Rehabilitation Council. Just before I left New Zealand it was my privilege to take through parliament a rehabilitation bill. I think the rehabilitation bill might be likened to a man who owed a thousand pounds or a thousand dollars, whichever you like, to another man and who on giving his creditor a promissory note for the sum owing said, "Thank God, that is paid." That is all the bill does; it just writes into words what we want to do and the procedure that we think ought to be followed. It provides for the setting up of a rehabilitation council of twenty members representative as far as practicable of all sections of the community—returned soldiers, farmers, chambers of commerce, manufacturers, industrial workers, women—all are represented on the council. From that Council of twenty a board of seven has been appointed. The Council like you and I who are in parliament do the talking and the board does the work or rather they drive somebody else to do the work. First, the council determines what should be done and recommends to the government the policy that ought to be followed and the government then has to go into the ways and means to find the money. The administration of the Act is under the Minister of National Service, who is in charge of Rehabilitation activities. The board, however, is empowered, without further appropriation from parliament, to loan money to a soldier for the purchase of furniture, for the purchase of tools of trade, for the purchase of businesses, for the buying of land, for the purchase of books, and also if it is necessary for meeting the cost of a soldier's education and of his maintenance while he completes a course of studies which was broken off when he went away to fight. That board is charged with all those works and in addition they are charged, subject to the council's prior recommendations to the government—with the setting up of new industries in the Dominion for the purpose of absorbing new labour and of providing opportunities for those who are demobilised after serving in the Armed forces; so that the soldier can when he is back again from the war become rehabilitated. If he is wounded he is cared for, and there are fairly generous pensions made available for all who are wholly or partially disabled. In the main those of us who have been behind the idea of the generous pension want to bring the wounded soldier back again to feeling that



he is not dependent on the State, because there is something more than just money involved. The Government is responsible for all requirements to meet his disability, but it is also responsible for bringing the soldier if possible back into the position of earning his own living and establishing his own independence. So soldiers' civil re-establishment training centres are in the course of construction for the purpose of training soldiers who have lost some of their vitality and application to get back into industry; and farms and land have been purchased by the government for the purpose of training discharged soldiers in farming methods. A tremendous number of people, as Canada perhaps more than any other country in the world has found out, think that one only has to go on the land and the land automatically yields a handsome profit, leaving one a wealthy man. However, it does not work out that way.

During the last war we made a lot of mistakes in New Zealand because we paid excessively high prices for land for discharged soldiers settlement and the soldier had to pay interest on the money loaned to him irrespective of the price farm commodities realized. We made those mistakes, and we do not claim that we shall succeed in avoiding them entirely on this occasion. But we have competent men familiar with the mistakes that were made after the last war, who are now ready to train men to go on the land. Now I hope you will not quote this against me in five years' time when we have made some of the mistakes we are going to try so hard to avoid. We are not going to make the mistake that was made last time of providing a lot of money to enable soldiers to buy land thereby creating a demand for that land which has the effect of forcing up land values generally before we know where we are. I do not know whether you understand these prices or not. But in New Zealand, after the last war, we were buying land at £100 an acre for the purpose of feeding cows; ultimately, of course, the mortgagees took it back because the return in prices of commodities would not sustain the price paid for the land. I know of a case where one block of land changed hands six times in two years, and there were 20 odd pounds paid in commission and stamp duty on the land for the six transactions. There was no grass grown for that expenditure of £20 an acre. Ultimately that block was sold at £94 10s. per acre.

When the price of butter—cheese—meat and wool fell, the value of the land went back again to £35 an acre, and at that time it was stated that a man could not make enough from the property to pay even the interest on the £35 an acre.

However, Mr. Chairman, we have all the experience of the last war to help us; whether we shall be able to reap the full benefit of it, I cannot tell. But the objective we have—the job with which members of the Council have been charged, as far as rehabilitation is concerned, is to see that the soldier is placed, as far as it is humanly possible to place him, in as good a position as he was in when he left his job to fight.

There is one other conclusion that might be worth while emphasizing. I said that it is compulsory for every man to be given his job back again when he returns from the front, if his job is still there. Of course, it may not be there. But to the extent that the actual position that he held is here, even if somebody else is filling it, that somebody else must make way and the job be given back to the soldier. But in addition to that, special arrangements have been made as regards the public service—and we have a large public service in New Zealand. The Government owns the railways—I am not going to talk about the C.P.R. or the Canadian National Railway—the Government owns and operates the Public Telephone and Telegraph System; it owns all the hydro-electric power stations; it runs coal mines, state fire insurance and state life insurance offices; it completely controls the currency and credit system, through its ownership and control of what we call the reserve bank, and because of this responsibility we have to show that public control can bring much better

results than private control normally brings. But so far as the public servant is concerned, every soldier who enlists from the public service automatically goes back into service again. He goes back to the grade—and I know the difficulty that will be attached to this—that he would have been in by natural promotion and increment had he remained in his position instead of going away to fight. Suppose he is 21 when he goes away and he is in class 7, shall we say, and he would ordinarily have gone to class 6 or 5 within five years, he is automatically promoted whilst he is away to the highest classification in which he would ordinarily have been graded; and, in addition, the Government pays his superannuation contribution whilst he is in the army and also pays, as I told you, his social security charge. We are developing a plan to look after the soldier, and I know some of the difficulties with which those responsible for its administration are going to be faced; but if I could do one thing more than another because of its importance—and I know some of the work you have done, Mr. Chairman, in Canada, in trying to think this problem out—I would urge with all the feeling of which I am capable that this job of rehabilitation and reconstruction is a job that should be tackled *now*. Our best minds should be working on this problem now because if it is not dealt with before the war is over, it may not be possible to deal with it afterwards.

But if we make a start and get the foundation properly laid, not on the basis of going back, but on the basis of taking things as they are and finding out what is best for Canada, what is best for New Zealand, what is best for Australia, then I am certain that with all the difficulties, and they are going to be very great, we shall, nevertheless, win through. The years required for the winning of the peace between 1944 and 1950 will, I believe, be even harder than the years of the war. Probably there will not be so much physical suffering; but there will be headaches every day of the week for organisers—administrators and executives. Statesmen that we thought were great will be quietly slipping out of the way because of the fact that they could not see ahead, and statesmen that we thought were poor will be stepping in and helping to do the job.

I wonder if I could finish by saying that we are doing the same as you are doing, trying to lay the foundation of the road we have to travel after the war is over. There will be enough chaos economically and politically. We shall have to determine what is to be done with the French possessions, because it is said that France is to hold all her possessions; we shall have to visualize what China will be like; we shall have to think of Japan for the Japanese; we shall have to think of the new India; we shall have to think of Germany completely destroyed from an industrial point of view; we shall have to think of starting Russia with a new vision; we shall have problems ahead of us sufficient to cause many headaches. But we ought to be willing, if we are going to look ahead toward that bigger and better world, to suffer a headache or two so that later on we shall not have to suffer heartaches because we did not do the job in the way it ought to have been done.

I should like, Mr. Chairman, if the time required is not too long, and if I have not talked too long, to answer any questions which may be asked about our country.

The CHAIRMAN: Ladies and gentlemen, Mr. Nash has only a few minutes. I saw his timetable yesterday as it was arranged for him to-day, and he has been very courteous indeed to have come at all; but if there are two or three questions that you would like to ask, regardless of whether you are members of the committee or not, I shall ask Mr. Nash to be good enough to answer them.

Mr. QUELCH: Mr. Chairman, I wonder if Mr. Nash would tell us what method of financing is used when taxation and public borrowings fail to meet government expenditures?

Hon. Mr. NASH: Well, the answer is inside a simple statement I made once in introducing the budget. If in connection with the production of the commodities that are necessary for ordinary human welfare the monetary means are not available to link unused resources with unused labour we, as a government, will find the money. We can do that because we are in control of the reserve bank; we can create our own money.

The second point is that if, in connection with the war, there is some useful activity that could be physically carried out we won't let any shortage of money stop that activity being carried out. But linked up with those two things is the other factor that you cannot ignore: no government that has the goodwill and the future of its people in its hands will just ignore the volume of money that is put into circulation in its relation to the quantity of consumable commodities, because it is just physically impossible, with all the magnificent arrangements Canada has made for price ceilings and all that has been done in the United States, to hold the price level at a certain point if the pressure on it ought to be 20 while the pressure you actually put on it is 40. So that if you do put into circulation twice as much money from a purchasing point of view as the quantity of consumable goods available justifies, you are going to be in for a difficult time. If we have unused resources and unused opportunities for the employment of labour, we will find the money, all of it that can be found, and put unemployed labour to work on these unemployed resources. Of course, no one with any sense at all would presume even to think of stopping any military activity, such as the production of guns, munitions of war, and things of that kind, simply because you didn't have enough money; that would be just sheer imbecility.

*By Mr. McCann:*

Q. I would like to ask Mr. Nash with reference to the Social Security Scheme, more particularly with respect to medical services; you said that at first you didn't have the co-operation of the medical profession but that you are gradually getting it now. Would you give us something as to the doctors' point of view, as to their objections—what were they, were they fearful of regimentation, or of patients being taken away? What was the particular objection?—A. The doctors, in the negotiations that I had with them from the monetary point of view, stated that it was not wise to interfere with the personal relationships between the doctor and the patient, and that the fact of the government coming in interfered with that relationship which they felt was undesirable. I am not going to argue about the doctors' attitude—some very close personal friends of mine in New Zealand are opposed to the complete nationalization of medical services. But, to show you how far we went, may I refer to three stages through which our negotiations with the medical profession have passed. At one time I said to Dr. Jamieson, who was acting for the B.M.A. in New Zealand—the New Zealand branch of the British Medical Association. I said, "Doctor, I will give you" and I am quite certain that the government will back my statement up, "I will give you all the money that the doctors of this Dominion declared last year by way of income, plus 10 per cent; the money will be paid to the B.M.A. who can determine how it is to be distributed among all members of the medical profession in New Zealand, and we will not interfere at all on the technical or professional side; you will contact, of course, the directors of health and so on, but we won't interfere with the personal job between the doctor and the patient." You know, you may have nine doctors out of ten differ with regard to the treatment of a patient, yet one doctor giving the same treatment as another might bring results that are tremendously worth while and important. We argued it out for some time and he said, "No! We are willing to attend those who cannot afford to pay, and those who can afford to pay something; we think there are others who should be insured," (you know



the insurance procedure) "and with regard to the residue, we think we ought to charge them what we please." Well, the situation with respect to co-operation has been this: first of all they refused outright to operate the maternity scheme. Then some of the doctors decided to operate the scheme. Those who did not come in saw their practices going, from the maternity point of view, and now with one or two exceptions the doctors are working the maternity benefit in complete accord with the government. However, some of the doctors have not come into the medical practitioner scheme; but, we hope they will come into it ultimately. For the medical practitioner scheme, we adopted a capitation basis of payment to the doctor of fifteen shillings per capita—much too high. I think it is correct to say that fifteen shillings per capita for general practitioners work, is much too high. Some doctors came in and that number was growing but not fast enough. We still wanted to win their full co-operation and we asked them if they would accept payment on a fee-for-service basis. Dr. Jamieson was the leader of the opposition to the government; he is a hard Scotchman. From a cable that came to hand about three weeks ago, I saw that Dr. Jamieson had said that the doctors would work the payment for service scheme but they would not accept payment from the government. That means adding greatly to the work of administration because the patient must pay the doctor the seven shillings and six pence for each visit and then claim that amount from the state: whereas if the doctor would only do what we want him to do, we would pay him directly and he would claim from us. But the last thing I heard was that Dr. Jamieson had said they were quite willing to work the scheme but the patient must pay the doctor. One thing that is a bit difficult in connection with these arrangements is that seven shillings and sixpence is the fee we have fixed by legislation which the doctors must charge. They can be paid more but they cannot claim more. No patient is compelled to pay them more. The co-operation we are receiving is better than it was two years ago, and we are now further discussing the position with some of the doctors at the front. I cannot see any essential difference from the doctors' viewpoint between treating the soldiers, when the state pays doctors directly and giving the same attention to ordinary civilian patients in their own homes. I do not want to be an advocate of political policies, but if I were to say what I thought with regard to this matter I would say that there is no solution to the medical problem, and the health problem other than a state medical service, a state salaried service, with the doctors in charge of what is to be done.

Mr. McCANN: Why medicine alone?

Hon. Mr. NASH: Because that is more important than anything else. The same reasons apply as in the case of education.

Mr. McCANN: You do not do it with engineers or other professions.

Hon. Mr. NASH: We do not require the engineer for the same reason as we require the doctor. We require the doctor for the same reason as we require the teacher. I do not think I ought to enter into a controversy, though I should like to talk to you about it, because I am sure I am right.

The CHAIRMAN: Ladies and gentlemen, Mr. Gladstone Murray, the General Manager of the C.B.C., tells me that our friend Mr. Nash will be broadcasting from Toronto this coming Sunday evening from 9 to 9:30. I know that everybody here will be glad to hear him.

I am going to ask the Honourable Ian Mackenzie, the Minister of Pensions and National Health, to say a word.

Hon. Mr. MACKENZIE: Mr. Chairman, ladies and gentlemen, I know that I am voicing the feelings not only of all of the members of the Committee on Reconstruction but of our colleagues in the House of Commons and those who are visitors here this afternoon, when I take the privilege of conveying to my good friend, Mr. Nash, the distinguished visitor of this afternoon, our individual

and collective thanks for a brilliant, constructive and a most knowledgeable address.

In the main, our distinguished guest divided his theme into three parts: The first dealing with the war effort of that wonderful little Dominion of New Zealand, our sister dominion, which is in this fight—our common fight, the fight of the empire, and of all the united nations—to the very end. In the second place, he gave us a glowing description of the system of social security in the Dominion of New Zealand where I think it is true to say that our sister Dominion has blazed a trail for all the democracies of the world. And in the third place our distinguished visitor gave us some thoughts that they are thinking in New Zealand with reference to the problems of re-establishment and reconstruction with which this committee is primarily concerned.

I think I can say to you, Mr. Nash, the problems that you outlined are the problems that we have been thinking about. Some of the solutions you have mentioned have already, as you know, been adopted in our Dominion of Canada. We are thinking ahead together as all the democracies of the world must think ahead together in regard to the great problems of peace; and if we can only bring the same heroic resolve with the same relentless endeavour into meeting the problems of peace as we are to-day unitedly bringing to get victory in this war, then I am quite satisfied that we will have real and happy solutions.

Mr. Nash, renewing to-day here comradeship which we shared together in the capital of the empire in 1937 and on behalf of my colleagues of the Canadian Parliament, I thank you most sincerely for that most interesting, informative, instructive and brilliant address.

Hon. Mr. NASH: Thank you, Mr. Mackenzie. Ladies and gentlemen, it is good to come from a little place back to the first dominion of the British Commonwealth. When the minister referred to New Zealand blazing a trail, in the sense of being in advance of the other democracies, he was quite in order. See, we are eleven and a half hours ahead down in New Zealand. It is to-morrow there now. That is why we are so advanced. I do find it a privilege and a pleasure in coming to Canada. This is not the first time I have been here; you have always given me personally a happy time and I do want to-day to thank you for what you have said, Mr. Minister, and thanks again to Canada. Canada has done splendid work for our boys in the air force and Canada has done splendid work in letting us have some of the things that are necessary to enable us to defend that little spot called New Zealand.

I do thank you again for carrying that resolution, and I do appreciate what Mr. Mackenzie has said; all I have to say is that I hope my remarks have been as interesting to you as this meeting and discussion has been enjoyable to me.

Mr. MAYBANK: Just for safety's sake, may I suggest to you, Mr. Chairman, that our own reporters delete figures from the record to make sure that none of them get out?

The CHAIRMAN: Ladies and gentlemen, we will adjourn the meeting. If we had time we would have asked Mr. Kerr to say a word to us on behalf of the little islands over there; but since the time is passing and the members want to get back to the house I know Mr. Kerr will excuse us on this occasion.

The meeting adjourned.

SESSION 1942

11102 (HOUSE OF COMMONS)

SPECIAL COMMITTEE

ON

# RECONSTRUCTION AND RE-ESTABLISHMENT

MINUTES OF PROCEEDINGS AND EVIDENCE

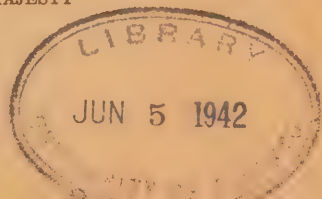
No. 5

THURSDAY, MAY 28, 1942

## Witnesses:

- Dr. D. L. Thomson, Professor of Bio-Chemistry, McGill University, Montreal.
- Dr. D. L. Pett, Director of Nutrition Services, Department of Pensions and National Health; Secretary to the Canadian Council on Nutrition; and a member of a subcommittee on Nutrition and Industry in the United States.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942







## MINUTES OF PROCEEDINGS

THURSDAY, May 28, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.00 o'clock, a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Authier, Bertrand (*Prescott*), Black (*Cumberland*), Dupuis, Ferron, Gershaw, Gillis, Hill, Jean, Mackenzie (*Vancouver Centre*), Macmillan, MacNicol, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Marshall, Martin, Matthews, Quelch, Ross (*Middlesex East*), Sanderson, Stirling, Turgeon, Tustin, and White—25.

*In attendance was:—*

Mr. J. E. Mackay, Secretary to Dr. James, Committee on Reconstruction.

Dr. D. L. Thomson, Professor of Biological Chemistry, McGill University, Montreal, was called and examined.

Dr. L. B. Pett, Director of Nutrition Services, Department of Pensions and National Health, Secretary to the Canadian Council on Nutrition; and a member on a subcommittee on Nutrition and Industry in the United States, was called and examined.

The witnesses retired.

The Chairman announced that the subcommittee on Agenda would meet and prepare a program for next week.

The Committee adjourned at 1.10 o'clock, p.m., to meet again at the call of the Chair.

J. P. DOYLE,

*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

May 28, 1942.

The Select Committee on Reconstruction and Re-establishment met at 11 o'clock a.m. The Chairman, Mr. James Gray Turgeon, presided.

The CHAIRMAN: Gentlemen, if you will kindly come to order now, the meeting will start. We have a quorum. I took the liberty of inviting Dr. Thomson, who is professor of biochemistry at McGill University, to speak to us today and to be ready to answer questions from us, particularly in connection with nutrition, which naturally is related to the agriculture industry and its progress, and the proper use of our natural resources. Dr. Thomson did not have time to make any special preparation for this committee. Anything he is able to tell us he had in his mind previously. I am going to suggest that Dr. Thomson speak in his own way. He tells me he would like to make only a very brief statement and then be subject to questioning. Perhaps from question and answer the committee would be better advised of what he has in contemplation than if he made a long statement. So, Dr. Thomson, if you are ready to make your statement, I will ask you to proceed in your own way.

Dr. D. L. THOMSON, Professor of Biochemistry, McGill University, called.

The WITNESS: I believe that I can introduce the subject most readily by reading, if you will permit me to do so, sir, a short statement of my position which I have given here. A few days ago the Royal Society of Canada issued this symposium on the Wise Use of Our Resources, to which symposium I was invited to contribute one paragraph, which summarizes my position very briefly. If you will allow me to do so, I shall read it, and we can perhaps take that as a basis for explanation and discussion. This is what I say:—

I believe that plans for the future of our country should take into account advances in our knowledge of nutrition. Recent surveys have shown that, in Canada as elsewhere, a large fraction of the population subsists upon diets supplying less than the currently-accepted optimal amounts of certain minerals and vitamins and other food-constituents, often to a degree capable of handicapping the consumers in their struggle for health and efficiency. Diets have improved in many respects during the past generation, and the public has proved itself more educable than is often supposed; in some respects, however, diets have deteriorated over the last century, chiefly because the growth of large urban communities has fostered the development of methods of food-processing and food-manufacture whose products are distinguished by stability in storage and convenience in transportation rather than by vitamin or mineral content.

It is, I believe, an urgent problem, for our country among others, to find corrective measures. Less nutritionally-wasteful methods of processing can certainly be developed and supported. Little has yet been done to produce specifically vitamin-rich foods, either by selective breeding or by adaptations of agricultural technique. Above all, it seems to me, it is desirable to encourage in various ways the production of those types of food which the consuming population (inside or outside the country) requires for health and is likely increasingly to demand. For example, the production of milk and cheese in Canada at present is insufficient

to supply the calcium and riboflavin requirements of the people, and the price of these commodities makes it difficult for the lower-income strata to obtain their share of what is available. As Sir John Russell said on February 28, 1942, "the essence of planning is that we should decide what is wanted and then guarantee the farmer a market for that crop." The bilateral approach which I am advocating has also been summed up in the phrase, "the marriage of agriculture with health".

The CHAIRMAN: You have listened to a summary, brief in words but very complete in thought, of what is particularly in Dr. Thomson's mind. I think if there are any members here who wish to ask questions of Dr. Thomson, it might be best to proceed with the questioning at the moment; Dr. Thomson may add to his remarks later on, if he so wishes.

*By Mr. MacNicol:*

Q. To start off with, may I ask Dr. Thomson just in what way will the application of the substance of his remarks produce jobs? After this war is over we shall have to produce jobs in hundreds of thousands, and I am just beginning to wonder what all this that we have so far been listening to will do in the way of the production of jobs. That is the purpose of the government, to produce jobs; and after the war that will be a mighty important purpose of whomever is governing this country. I should like to know, Dr. Thomson, in what way will this nutrition program or inquiry into nutrition produce jobs after the war?—A. I look at it fundamentally in this way: if there is an alternative between developing this branch of food production, developing this crop or that crop, this method of food processing or that method of food processing, the number of men we employ may be the same; but in deciding which of two alternative crops or methods should be supported and encouraged, if necessary by subsidy or differentiated taxation or in whatever other way one might do it, in making the decision there should be taken into account the question as to which of the products makes the greatest contribution to the health of the consuming public.

*By Mr. Gershaw:*

Q. I should like to develop this subject a little more. Dr. Thomson will no doubt be familiar with the food situation and the ration situation in Britain where they have to ration pretty strictly. Instead of having long queues, they give out ration books so that dock workers, who are subject to cold and exposure get more fat; and the workers in heavy industries get more cheese, containing calcium, and foods of that kind. The statement has been made that the health of the whole population is better than it was before the rationing, that there is a more even distribution of food and that an attempt has been made to supply the particular foods desired, such as in the distribution of cod liver oil, and milk and fruit juices to children and expectant mothers and so on. In Canada experiments have been carried out and an attempt has been made to estimate the requirements and the supplies of Canada; and even in peacetime the health of the people might be improved. I wonder if Dr. Thomson could tell us something of the results that have been, up to date, obtained by these experiments in estimating the quantity and the quality of food which is available to people in certain of the lower-income brackets in Canada?—A. In the winter of 1938-39 a dietary survey was conducted in the City of Toronto, with the aid of funds provided by philanthropic organizations, to study the diets of one hundred low-income families—families whose average income was around \$1,000, which represents a large proportion of the urban population. The following year, in 1939-40, under the auspices of the Canadian Council of Nutrition, and with funds provided through the Department of Pensions and National Health, similar surveys were carried out in Halifax,

Quebec City, Edmonton and a survey also in Toronto of a slightly higher-income group, averaging around \$2,000 per annum. These surveys were made for periods of about a week in each family. Every article of food consumed by each member of each family was estimated as to size, amount, quality and from this group of data on the different foods consumed, calculations were made to reduce the pounds of meat and loaves of bread and so on into scientific and chemical terms.

I have here a very brief summary expressed in this way. We had to adopt an arbitrary standard of what we regarded as the optimal or suitable amount of each vitamin, mineral and other food constituent that was accessible for study. It was the first function of the Canadian Council of Nutrition to set up a series of standards, laying down from the best information available, the quantities of each vitamin and each mineral which a person requires for optimum health. I may say that these standards, although arbitrary, agree very well with those constructed several years later and with much more elaboration by the National Research Council of the United States, which were published last year. Substantially these two standards are the same—so much so that we are now adopting theirs.

We found that in these low-income groups the proportion of people who reached these standard levels of intake of important vitamins and minerals was rather low; and not being perfectly confident about the levels at which we had set these standards, we decided to regard as deficient only those individuals who obtained less than 70 per cent of the quantity of each vitamin, mineral, etc., that we considered optimum. We felt if we had a 30 per cent margin, that allowed for errors or exaggerations in our standards. Taking this value, we say that those persons are deficient who have an intake of less than 70 per cent of the Canadian dietary standard in each indicated food constituent. Taking the four surveys in the four cities in the low-income group of \$1,000 annually, we found that 15 per cent of the persons studied were deficient in that sense in total calories—that is to say, in total food energy intake.

*By the Chairman:*

Q. Did you say 15 per cent or 50 per cent, Doctor?—A. 15 per cent. 17 per cent of the persons studied were deficient in protein intake; 47 per cent were deficient in calcium intake; 36 per cent were deficient in iron intake; 40 per cent in vitamin A; 87 per cent in vitamin B-1; and 46 per cent in vitamin C. Those were the only constituents which we had the means and ability to study. We have, of course, no reason to suppose that the situation would be better for any other mineral or vitamin which, for technical reasons, we did not take into account. I can, of course, split that up into detail.

Mr. GERSHAW: Just to follow that up, I wonder if you would put on the record some of the physical effects of the fact that the food was deficient in so many respects? For instance, there was an 87 per cent deficiency in vitamin B-1. That is a rather startling deficiency and would naturally have a great effect on the development, the growth and the resistance to disease of those people who are living on a standard so far below even the 70 per cent. Then could you give us some suggestions that might be worked out to overcome that particular deficiency or to supply the needs of people who are in those income groups? Could you suggest some way in which they might receive the necessary food constituents?

*By Mr. McNiven:*

Q. For those of us who are inexperienced in your field, Doctor, could you tell us what are vitamin A, vitamin B-1 and vitamin C?—A. I can try to do it as clearly as possible. Let me take the first question first. This question



resolves itself really into an inquiry of how those standard amounts are arrived at—how does one decide that an adult requires, let us say, 5,000 units of vitamin A, which is the optimum standard quantity—from which these deficiencies are calculated. It is to be understood that if a person is for a long time or for many months or years very seriously deficient in any one of these minerals or vitamins—if he is receiving, let us say, an average of one-third or less of these indicated standard quantities—he will develop, in the course of time, the specific disorders and diseases which are purely and solely dependent on the absence of these constituents from his diet, the so-called deficiency diseases. Scurvy is produced or prolonged by an almost complete absence of vitamin C from the diet. For various reasons which I should be glad to elaborate, if it is of interest, nutritionists all over the world are agreed that between the amount of a vitamin or mineral sufficient to prevent the specific deficiency diseases and that amount which makes the optimum contribution to the complete health of the individual as a whole, there is a fairly wide margin, a 50 per cent or even greater spread in quantity. Those people who are living, as the vast majority of these persons I am quoting here are living, between the level at which they develop specific deficiency diseases such as scurvy, pellagra or Berberi—all of which are relatively rare diseases in Canada—and the level which the nutritionists regard as adequate we prefer to think of as being handicapped by their deficiency. The people living between those levels do not appear in the hospitals as patients. They are not diagnosable by any medical examination as deficient in any particular vitamin or mineral under consideration. They are retarded in their struggle for health and for physical efficiency; and in the case of children, in growth. They are, as I have said elsewhere, in a state of nutritional twilight, neither in the bright sun of completely adequate diet making the optimum contribution to health, nor are they in the darkness of night of a definitely diagnosable deficiency disease or famine. The great majority of these persons referred to here the nutritionists would consider as being handicapped by their diet to the extent that they are more than necessarily prone to fatigue, to infectious diseases, retardation of growth and various other things of that kind. I am not sure whether that answers the question.

With regard to the supply of these substances, unfortunately one really has to take each food constituent by itself as a separate problem, because they are very differently distributed in foods. For example, take calcium; the only rich dietary sources of calcium—which is one of the most frequently encountered deficiencies—are milk and cheese. Unless we can increase the milk plus the cheese intake of the lower-income groups, we cannot hope greatly to increase their calcium intakes. Similarly, vitamin C is supplied principally by fresh fruits and vegetables. There again, if we can build up and increase, as during the last fifty years we already have very greatly increased, the consumption of fresh fruits and vegetables, we can greatly improve the situation, which again is rather serious and urgent with respect to vitamin C. On the other hand, vitamin B-1 is a different type of problem. It is a substance not very highly concentrated in any particular type of food, but very widely dispersed among the great majority of natural foods which we eat. The reason why vitamin B-1 deficiency, in the sense in which I have defined it, is so frequently encountered—80 per cent of all persons studied in these surveys—is that we are now making, especially in city life, increasing use of foods such as bread derived from white flour and pure sugar, from which all vitamin content present originally in the natural food has been removed in the process of manufacture. To increase the vitamin B-1 content of the diet, and the intake of this vitamin by the people, it is not so much a matter of incorporating specific substances in the diet as of trying to replace these over-refined foods by more natural ones. From this point of view I, and I imagine all nutritionists, regard the

present sugar ration, if it means that sugar will be replaced in our diet by equivalent amounts of other and less refined foods, as a blessing which is not even in disguise. It is extremely obvious to nutritionists. Undoubtedly the North American people eat far too much sugar. It is not harmful in itself, but it displaces from their diets much more valuable foods. As far as flour is concerned, you are, of course, all aware of the steps which have been taken in Canada to provide white flours of higher vitamin content. From the nutritionist's point of view it would be still better if the public could overcome its reluctance to use browner flours which have a still higher vitamin content or can have a still higher vitamin content.

*By Mr. Jean:*

Q. I should like to ask one or two questions of Dr. Thomson. I will try to make them as short as possible. Have you considered whether a program of better nutrition would increase, generally, the consumption of foods in this country? Secondly, would such a program necessitate the production of certain specialized foods which we are not producing at the present time?—A. I do not believe that an increase in the total quantity of food is seriously indicated. A very small proportion of our population is receiving an insufficient bulk of food. I do think that what is required is a shift of emphasis. The things which seem, from these surveys, to be most important are an increased consumption of dairy products, especially milk and cheese—our Canadian cheese consumption is relatively small as compared with the majority of other civilized countries—and a still further increase in the consumption and production of fresh fruits and vegetables. An increase of these things, of course, will inevitably lead to a decrease in the consumption of foods which, while equally satisfying, are less nutritionally valuable. You cannot expect—and one would not encourage—persons to add to a diet which is already perhaps causing them to gain weight more than they wish—add an extra quarter of pound a day. They cannot do it, and will not do it, and probably should not do it. It is a matter of substitution. I feel that what we require is to make less use especially of sugar and certain other rather refined products and a rather greater use of dairy products and of fresh fruits and vegetables. It is unfortunately the case—and I am making a very wide generalization—that those foods which are of highest mineral and vitamin value, are perishable foods which, in the cities especially, sell at rather high prices as compared with the less perishable foods such as flour and sugar and the like. Therefore, the consumption per head of these particularly valuable or so-called protective foods like fruits, vegetables, milk and cheese, rises very steeply with rising income; whereas the consumption of food like flour is very much the same per head in all income levels. That is an unfortunate situation which is really the crux of the problem, that the most valuable foods tend to be luxury foods and cannot at present be purchased in sufficient quantities by the lower income groups of people. That is particularly serious because these special foods are particularly required by growing children; and I do not have to point out that it is in the lower-income groups that we have the largest families.

*By Mr. Dupuis:*

Q. Are you in a position to tell this committee whether, in the southern countries where they have year-round fresh fruits and vegetables, the average of health and efficiency is greater than here? I am thinking, for instance, of the southern states, Italy, southern France and so forth.—A. I think as far as that particular vitamin is concerned, they are undoubtedly in a better state than we are. But on the other hand, as you know, the standard of living, taken broadly, in those countries is not very high; and in many other respects those diets tend to be somewhat seriously deficient. One has to try not to push in

one end and let the other one slip back. Those diets are satisfactory in one or two respects but very much worse off than ours in many other respects.

*By Mr. Gershaw:*

Q. I have one more question. I wonder if Dr. Thomson could tell us or give his opinion as to whether the deficiency in the lower-income brackets of these essential foods is due to a lack of knowledge of how to purchase and how to prepare the foods or whether it is largely due to lack of funds? There is great difficulty in getting reliable information about this. I wonder if Dr. Thomson could say, for instance, what quantity of milk a child or adult should consume in a day to bring up a balanced diet?—A. The question of how far knowledge and how far income come into the problem was discussed rather fully at the time of making the Canadian dietary surveys. It happened especially in Toronto that of all the families studied, a number had been receiving nutritional advice, for several years previous to the survey, from various social agencies in Toronto and could be regarded as well educated from that point of view. It was thus possible to make a comparison between families of equal income levels for equal size of family—that is, equal income per head—comparing those families which had received a great deal of instruction and advice, and which had apparently profited by it and were spending money wisely, and those families which did not enjoy such advantages. It was perfectly clearly brought out that education and training can do a great deal. The wise spending of the food dollar makes a very great difference. On the other hand, computations made at the time of the surveys of the minimum cost, with the wisest possible shopping, of a completely adequate diet, showed that a large proportion of these urban populations, if they had possessed the combined knowledge of all the dieticians and nutritionists in Canada, could not possibly have obtained a completely adequate diet from the incomes they possessed. At that time I remember the figure that we computed in the city of Toronto in 1938,—the minimum cost for a family of five, for a week's food, to be completely adequate in terms of the Canadian dietary standard—was \$7.50, within a few cents. There were many families, including all those on relief, which did not have \$7.50 per family of five to spend on food at that time. If I were to make a very complete generalization, I would say that about a quarter of the Canadian urban population does not have incomes sufficient to purchase completely adequate diets, however great their knowledge. Another quarter has a sufficient income but has not sufficient knowledge to spend it to the best advantage. Therefore, about half the population—that is, urban population—is actually subsisting upon diets deficient in one respect or another, but not necessarily deficient all the way around.

*By Mr. McKinnon (Kenora-Rainy River):*

Q. Dr. Thomson, no doubt you have a chart prepared of what you consider a balanced diet for the people in Canada, taking in children at various ages up to and including the growing age, and men and women. The reason I am asking that question—and it is carrying on from Dr. Gershaw's question—is that I can see possibilities that if that was before us, it would lead to explaining a very great deal or assist in answering a lot of the questions we are going to have to try to answer a little bit later on. Have you a chart of that nature prepared?—A. Of course, to draw up a chart of that nature in terms of actual foods such as you buy on the market would be an immensely complicated task; because one has to allow, and one wishes to allow, for variety. For instance, even the army rations are, relatively speaking, complicated. For every item in the main ration there are alternatives. You have beef or you have an equivalent quantity of pork or mutton, and so on and so forth. To do that for the civilian population, you would have an endless series of alternatives with a list of that



kind. There are so many different ways in which an adequate diet can be constructed, especially if expense is no object, that a list of that kind would be an encyclopedic. There are more than fifty different types of package cereals widely sold on the market alone; and they are, generally and widely speaking, more or less interchangeable. But one can, of course, lay down some general principles.

Q. That was my idea.—A. We know that the most of these surveys have shown that as far as the food constituents studied are concerned, the most widespread and most serious deficiencies are those in calcium, vitamin B-1 and vitamin C. We know that there is practically no method of increasing the calcium intake except by increasing the milk or cheese intake. It matters very little which form it takes. As far as vitamin C intake is concerned, there again there is practically no method of increasing that except to increase the consumption of fruits and vegetables, and to popularize and encourage the use of fruits and vegetables in the uncooked state, because this vitamin is very largely destroyed in the cooking process. That is a matter of education. We have come to depend in Canada for vitamin C supplies very largely upon imported citrus fruits and citrus fruit juices; but we can produce tomatoes, cabbage and many other excellent sources of vitamin C. Provided that they are processed and treated in the proper way, they are excellent sources. We can encourage the production of these foods and encourage the consumption of them. As I said before, as far as vitamin B-1 is concerned, that is more a matter of excluding the undesirable over-refined foods than of incorporating any specific ones in the diet.

Q. The reason I asked that was—of course, I expected that the only thing you could do would be to generalize on it—was because at times, particularly recently during the depression when, as you mentioned, so many families were not getting the kind of diet that they should get for health, we were reading some astounding statements by individuals as to what, if the population got the required diet that they should get, the consumption of this country should be. The reason I was asking that question was so that later on in this discussion we can come to at least a faint idea of the production of this country that there should be in order to give the people of the country the kind of diet they should have.—A. I recall that at the time that the committee prepared the Canadian dietary standards, laying down the amounts of each constituent required for different ages and types of person, we computed a standard for calcium and also we translated that into terms of milk, as being the chief source of calcium. So we laid down for children of different ages different quantities of milk. The quantity that we as a nutrition committee wished to suggest, when we had that multiplied out by the appropriate factors for the whole population of Canada, would have meant the consumption in Canada of about twice the quantity of milk and cheese actually produced in Canada. We felt that that was rather visionary and that we had to compromise some there, so we slightly reduced our recommendation for milk consumption to what we thought was possibly tenable in practice.

Q. This is a committee that, in the nature of it, has to be visionary.—A. Yes. That is why I venture to bring up again the vision which, in a much less authoritative committee, we had to bid farewell to.

*By Mr. McNiven:*

Q. When did you prepare that estimate as to the amount of milk that should be produced?—A. That estimate was prepared some time in 1937 or 1938. The Scientific Advisory Committee of the Canadian Council on Nutrition worked on these Canadian dietary standards during that session of 1937 and 1938.

Q. If that were an accomplished fact, it would live up to Mr. MacNicol's requirements of producing a lot more jobs in the raising of cattle, looking after

them, milking the cows and so on?—A. Yes, it is certainly the case. Of course, we are assuming that you are switching men from the production of some less valuable food—say for the purpose of argument, wheat—on to a dairy farm. It requires, of course, more men in that case to handle a given acreage or to produce a given weight of milk than it does to provide the same weight of wheat. So it does produce more jobs.

Q. Dr. James indicated here the other day that if we were to produce those things which were required by Canadians to build up a decent standard of health, we would not have any products for export; that is, no food products for export. I saw a statement by Sir John Orr in a recent magazine article written by Eric Knight, to the effect that Canada and America should increase their production of food stuffs and keep on increasing it, because they could not produce sufficient to meet the demands in Britain and in Europe. If that were true, would it not increase employment and give jobs to a great many people as suggested by Mr. MacNicol?—A. I am here, of course, as an expert in nutrition and not in agriculture; you are inviting me to speak a little outside the field of my competence. But I should say that, in general, the production of protective foods such as vegetables, fruits, dairy products and meat require a larger number of men than the production of the same bulk of wheat products. Wheat is a mass production crop, so to speak, in which a few men can produce a very large amount of food material. In that sense I should say that a slight decrease in our wheat production—which of course at the present time enjoys markets which are, I presume, not likely to be commanded after stability is restored—or a slight reduction in our efforts in specialized production of wheat and other similar things, and a shifting of effort and utilization of the land, where it is suitable, for the production of dairy products, fruits and vegetables, should, I think, absorb more men on to the land.

*By Mr. Dupuis:*

Q. Would you tell the committee what is the difference between milk in its natural form and pasteurized milk as we use it in large centres to-day?—A. Nutritionally speaking, under modern conditions of pasteurization, I think there is virtually no difference whatever; only pasteurized milk is safer.

Q. The percentage of calcium is the same?—A. The percentage of calcium is the same. The only change is a slight decrease in the amount of vitamin C. But milk is not a good source of that vitamin in any case, so that the loss is trivial as part of the day's intake of vitamin C. The more modern methods of pasteurization are designed to preserve the nutritive qualities of milk as well as confer safety on it.

Q. Would it be possible for you to give us a list of all these food stuffs—fresh fruits, fresh vegetables and meats—and put alongside of each of those food stuffs the quantities of vitamins and so forth contained, in order to enlighten the committee?—A. Such a list could, of course, be prepared. But it would be a question of how large you wish to make your list. One of the tasks of the Scientific Advisory Committee of the Council on Nutrition, of which I have the honour to be a member, is to obtain information about the vitamin content of Canadian foods. We, the members of the committee, are working at present with the data that has been collected in the past, and they already form a book, a mimeographed book, about this size, and they are very, very far from being complete. In elementary nutrition teaching, we commonly arrange foods in a rough order of merit, so to speak, from the point of view of their over-all mineral and vitamin content. We regard as the most valuable, most protective foods—protecting against fatigue, disease and so on—in the first line; milk, cheese, fresh fruits and vegetables, liver and one or two highly specialized foods.

Q. Excuse me for stopping you there, Doctor.—A. Yes?

Q. That is provided the subject is in good health and has not any organic disease?—A. Yes, certainly.

Q. Because sometimes cheese would not be advised by a doctor for certain individuals?—A. That is, of course, undoubtedly the case.

Q. There are many elements in an individual which might affect the assimilation of these vitamins such as calcium and the nutritive elements in the food?—A. Yes, undoubtedly. You will realize that I am speaking in the broadest generalization. I am speaking of it from the point of view of the average man.

Q. The way of life might very much affect the absorption or assimilation of these vitamins?—A. There are undoubtedly many people who either find it difficult to digest or to take certain foods that cause upsets, who may have some difficulty in completing their vitamin intakes. Certainly to supply an adequate supply of vitamins and minerals to chronic invalids is exceedingly difficult and often requires the use of specialized vitamin preparation, vitamin concentrates and so on. That is often necessary in hospital practice. But for the healthy man who has no organic disease, I think nearly all nutritionists—certainly in Canada—believe that one can obtain an adequate supply of all necessary food constituents from natural dietary sources, from natural foods, without turning to any medicinal use of minerals or vitamins. We place in the first rank of protective foods milk, cheese, fruits, vegetables and liver. In the second rank I would place meats and fish, potatoes, whole grain cereals, peas and beans. In the third place, and considerably below these, and of little or no protective value, we have purified refined sugar and wheat flour as made by the standard procedures up to the present day.

*By Mr. Hill:*

Q. Is pasteurized milk as easily digested as unpasteurized milk?—A. I believe so, sir.

Q. If one could procure a pure source of unpasteurized milk, is that preferable to pasteurized milk? I am speaking of the case where we have a source which we know is pure. Of course, I believe in the pasteurization of milk.—A. It seems to me easier on the whole to enforce pasteurization than to continue to inspect the source.

Q. That is true. But if one had an available pure source of certified milk, is that not preferable?—A. I think, nutritionally, it is a matter of taste. As to nutritional quality, I do not consider that pasteurizing impairs the nutritional quality of milk in any significant way whatever. There are persons who can detect or apparently detect changes in taste which they do not like; but that is purely a matter of taste.

Q. I think that is quite true.—A. There are also persons who have learned to like the taste of evaporated milk and prefer that to fresh milk. There are all kinds of preferences. In the city of New York a brown-shell egg commands a higher price than a white-shell egg. In the city of Boston it is the other way around.

Q. Maybe some of the pasteurizing plants are not as good as others.—A. Certainly it is true that the larger and more modern plants do a more efficient job and cause less alteration in the milk and less diminution of nutritive values.

*By Mr. Quelch:*

Q. How is the value of milk affected by separation? I have in mind the fact that on a number of farms the practice was to put all the milk from the cream separator in so as to increase the size of the cream cheque. When the separated milk is used, what effect does that have?—A. Generally speaking, skim milk or separated milk contains most of the nutritional value of the milk. The cream or butter that is made from the cream is primarily a source of fat, that is of energy. It does supply vitamin A, but the real contributions which milk



and cheese make to the diet are in calcium and riboflavin, both of which are in the separated milk and not in the cream. It has, until recent months, been a perpetual problem with nutritionists to find some plausible method of utilizing the enormous amount of separated milk produced on this continent. In the last figures which I have available, almost one-half of all the milk produced in North America has, at one time or the other, the fat removed from it for the manufacture of table cream, ice cream and especially butter. That leaves a very large bulk of skim milk which is not acceptable to the population very readily as a drink; and as everyone knows, very large quantities of that milk have been fed to the hogs or have been used industrially in the manufacture of caseine or have been poured into the ditch. Until recent times it was a very distressing sight for the nutritionist to see this, one of the most valuable of all foods, being very largely wasted and only very small quantities of it reaching those consumers who were most seriously in need of it. At the present time, as you are aware, largely owing to the demand from overseas and so forth, there is actually a skim milk shortage, and the situation does not arise; but it will undoubtedly recur. Canada being a country which has the largest per-head consumption of butter of any country in the world, will necessarily also have a very large production of skim milk, probably beyond the capacity of the population to utilize it. There is there what appears to be an economic impasse. One can readily calculate what the differential between skim milk and whole milk should be on the basis of the food value of whole milk; and one can estimate that unless the skim milk sells for four or five cents a quart less than whole milk, it is not an economical buy. Such a price differential cannot, in the open market, be created because the costs of processing and distributing bulk so large in the retail price of milk, and are inevitably the same for whole milk as for skimmed milk; it is almost impossible to maintain, in any stable economic market, a price differential of four or five cents a quart between the two. The only hope seems to be the conversion of the skim milk on a large scale into skim milk powder and the incorporation of that milk powder into other foods such as bread. The specifications for the Canada-approved white bread lay down that it shall include a specific quantity—4 per cent or more—of skim milk powder. Actually at the present time, owing to the shortage I have just referred to, it is impossible to bring that regulation into force. The skim milk powder is not available. We have not sufficient skim milk now at this moment to enrich the whole of our bread with skim milk; but it could be done, and it would be economically possible and nutritionally a very desirable way of bringing the skim milk to the people; because bread, as I have said before, is an article of food which is consumed in approximately even quantities at all income levels.

Q. Does the same thing apply to buttermilk?—A. Buttermilk and skim milk are pretty much similar in composition and value.

*By Mr. MacNicol:*

Q. I have three questions. A few moments ago you referred to both white bread and either brown or whole-wheat bread. I should like to ask which is more beneficial to build up human strength. The second question is with reference to buttermilk. What is the value of buttermilk? What is the real value to the human body that accrues from drinking buttermilk, which has always been considered to be beneficial? What is the difference in value between real buttermilk and cultured buttermilk made out of, I presume, some culture being applied to the skim milk? And what is the value of cured cheese over fresh cheese, if it has any value over fresh cheese? And also the reverse picture, what is the value of fresh cheese as against cured cheese?—A. With regard to the brown or white bread situation, I think it might best be put like this. It is not, as far as we know, possible to incorporate more than about

one-half of the vitamin content of the original wheat in any bread which remains white. Therefore if you wish to have very efficient utilization of the vitamin value of wheat, you must perforce use a more or less brown bread. On the other hand, it is possible and in some places it is the practice to produce brown breads which are not particularly valuable nutritionally. Some brown breads are actually made of white flour which has been subsequently darkened.

*By Mr. Dupuis:*

Q. Is that allowed in this country?—A. That is allowed. There is no definition of the word "bread" in the Food and Drugs Act, and therefore anything whatever can be produced as bread.

Q. I would suggest that there should be an amendment to prohibit such a thing.—A. We have now not a prohibition, but an encouragement in that when the specifications for Canada-approved white bread were drawn up, specifications were also drawn up for Canada-approved brown bread which, if these specifications are followed and such brown bread is of guaranteed nutritional value, cannot be obtained in any such way.

*By Mr. MacNicol:*

Q. The whole wheat bread would contain all the desired vitamins, would it not?—A. Well, whole wheat bread is, in effect, rather a myth. It implies that from one hundred pounds of wheat you make one hundred pounds of flour, all of which you turn into bread to give you one hundred pounds of bread.

*By Mr. Dupuis:*

Q. That includes bran?—A. It would include bran and everything. In practice, that is not done, except on a most modest scale and for the benefit of people who are virtually nutrition cranks. What is usually called whole wheat bread is a mixture of such whole wheat flour with a fairly high proportion of ordinary white flour. I do not believe that any nutritionist would recommend the widespread adoption of 100 per cent whole wheat flour. There are many persons whose digestive systems would react unfavourably to the incorporation of the bran. But a great deal of the apparent value of bran, as determined by chemical analysis, is not actually available to the consumer, because it is poorly utilized and digested and passes through the alimentary canal without having its value made available to the body. Most nutritionists feel that the desirable thing is to produce some brown flour containing a yield from 85 to 90 pounds of flour per 100 pounds of wheat. At the present moment in the British Isles 85 per cent extraction of flour, as it is technically called, has been made compulsory quite recently. Brown breads are available on the Canadian market and Canada-approved brown flour would be a flour of this description, about 85 pounds per 100 pounds of wheat, whereas from ordinary white flour one obtains only about 73 pounds per 100 pounds of wheat.

In regard to buttermilk or sour milk, as far as the mineral and vitamin content is concerned, buttermilk or sour milk and skim milk and even whey are very much of a muchness, nutritionally speaking. For a long time, from the beginning of this century, there has been sort of a cult for the use of sour milks, either those allowed to sour naturally by infestation with whatever types of microbe happened to get in or more commonly, as you say, milk which has been soured by the intentional and specific introduction of the particular strain of microbe which is regarded as advantageous. There is, I think, no doubt that many individual people find that the use of such milk is helpful to their digestive systems. I think that the very high hopes which were held out forty to fifty years ago when Metchnikoff first put forward the idea of using these acidified and cultured milks, as a virtual panacea, have not been substantiated. But many individual persons, and many children, particularly, undoubtedly do very well on such preparations. But that is, I feel, a medical rather than a nutritional

problem. It is a question of the reaction of the human intestinal tract to the products of these microbes rather than to any nutritional value in the sense of constituents of actual milk being available to the body.

*By Mr. MacNicol:*

Q. What do you say with regard to the last question—the value of cured cheese as against the others?—A. I do not believe there is any important chemical change during the cure of the cheese which affects its nutritional value, except that it changes, of course, as everyone knows, in digestibility and also in appearance. I think we must never lose sight of the fact that the appetite has a very great deal to do with good nutrition; and it is not any use in the world putting forward foods which people accept reluctantly and which they eat without enthusiasm. Unless we keep in consideration that point of making foods appetizing and desirable, we certainly will get nowhere at all.

*By Mr. McKinnon (Kenora-Rainy River):*

Q. What is the difference in nutritional value between evaporated milk or condensed milk as against fresh milk?—A. We have to make a distinction here, sir, between evaporated milk and condensed milk which is also called sweetened condensed milk. Evaporated milk is milk from which a large part of the water has been expelled so as to reduce the bulk very considerably to less than half the original. Condensed milk is prepared in a similar manner but without the aid of heat, and to it a large quantity of sugar is added, so that sweetened condensed milk contains more than 50 per cent by weight of sugar. Evaporated milk retains the whole mineral value of the original fresh milk, with some slight loss in vitamin value.

*By Mr. Dupuis:*

Q. Is it the same as powdered milk?—A. No. May I come to powdered milk in a moment?

Q. Yes.—A. There is some slight loss in vitamin value, but it remains an excellent protective food which I would put in the first rank.

*By Mr. McNiven:*

Q. You are speaking of evaporated milk?—A. Evaporated milk. In the case of sweetened condensed milk, the portion of the milk part of it remains the same, but it has the disadvantage that it introduces in the diet additional quantities of refined sugar of which we already have too much in the sense that it spoils the appetite for the more valuable foods. Nutritionally, sweetened condensed milk is less desirable than evaporated milk.

May I now speak with regard to whole milk powder. Whole milk powder is difficult to prepare and difficult to keep. It very readily goes rancid. Very intensive researches are going on in Canada at the present time to find methods of stabilizing whole milk powder. But at the present time because of loss in storage and difficulty in preparation, it is extremely expensive. It is a much more expensive form in which to buy milk than either fresh milk or evaporated milk. Evaporated milk is somewhat cheaper than fresh milk, when we study it, but powdered milk is very much more expensive than either; and until that difficulty can be overcome, I do not see any nutritional future for powdered whole milk. It has a part, of course, in the supply of isolated communities, of ships, of trappers in the north and so on where bulk is very important.

*By Mr. Dupuis:*

Q. It does not keep its value in the can?—A. It tends to become rancid, which does not so greatly destroy the nutritional value—although it does impair the vitamin value to some extent,—but it makes it unusable.

Q. If it is true that the fat contains more calories, is it not much better to have whole milk than skim milk? I understood there was the same quantity



of vitamins in the skim milk as in the whole milk.—A. That is so. That is why I said that from the point of view of value there should be a price spread between whole milk and skim milk. That extra fat as a source of calories and also as a source of vitamin A is worth four or five cents a quart to the consumer.

Q. Dr. Thomson, is it a good thing to advise the people to take skim milk instead of whole milk, even if it is cheaper?—A. I think it is better that they should drink skim milk than that they should not have any milk at all.

Q. I see.—A. But the point is that the great mass of the people are obtaining the upper part. They are not getting the whole milk. They are getting the butter. You have to think of skim milk not as a substitute for whole milk but as a complement of butter. You are also consuming a large part of your dairy products intake in the form of separate butter and the other part of the milk is being thrown away. What we wish to see is virtually the next thing to whole milk consumption, by matching the straight butter consumption of Canada with an equivalent skim milk consumption. The skim milk part of it is much easier and cheaper to produce than the whole milk part of it because, not containing fat, it does not become rancid.

*By Mr. Macmillan:*

Q. May I ask one or two questions? This committee, like Dr. James' advisory committee, is concerned primarily with attempting at least to show the path towards a bettering of conditions in Canada after the war; in other words, to make Canada a better place in which to live. Reference has been made to jobs. That is part of our work, I suppose. It seems to me that there can be no widespread employment without widespread health based on adequate nutrition. We listened, in the House of Commons recently, to very interesting speeches which in a sense had a bearing on this question. One was by the honourable member for Parkdale, Dr. Bruce, who spoke about the relationship of nutrition to the armed services. The other was by the honourable member for North Battleford, Mrs. Nielsen, who put on the record a very interesting table of statistics showing the alleged loss of production in war industry because of malnutrition. I wonder, first if you could say anything about the relationship of labour and production to nutrition? Secondly, have you any suggestion to make to this committee with regard to what we should recommend in the hope of providing adequate nutrition after the war for those whose incomes will not permit them to obtain it for themselves or for their children? I am sorry to roll up these questions, but thirdly I should like to ask if you have any suggestion to make to the committee in regard to how you would get the information to the public that you have given us concerning the necessary foods for nutrition? I am thinking, for example, of the work in my own province of the Red Cross nurses who have done remarkably fine work in the schools in the way of hygiene and so on. Would you use the schools? Fourthly, do you think that Canada should produce or should encourage the production of new products that we are not producing now, that would have a very direct bearing on nutrition?—A. I should like to begin by saying that I am exceedingly glad, Dr. Macmillan, that you have raised again what seems to me a fundamental aspect of this whole thing. I do not feel competent to discuss the question of how a nutritional program will affect employment or any economic setup. I feel that from my point of view the crux of the whole question is to improve the health and thereby the happiness of the people. That is the central part of it. We feel very strongly that a large proportion of certainly the urban and quite possibly the rural population, even in healthy countries such as Canada, United States and the United Kingdom, have over the past century suffered considerably in preventable diseases, retardation of growth, loss of vigour and strength, which a wise nutritional program could largely overcome. We

have to appreciate that if you turn up a text book on child welfare you will find the curve of the average growth rate of a boy or girl, so many pounds, or so many ages for each year. Those averages, we must acknowledge, are averages over a population including a very large number of children whose growth is being retarded in some measures by faulty nutrition. It is very well known that if you compare the growth rate of children of some particular privileged class—say the children of university professors, for example, to take a case which has been studied—their average growth rate is very much greater than that of the population as a whole, because these retarded individuals are eliminated from such a specialized group. As far as long-range planning is concerned, it seems to me that the essential thing is to set up some kind of machinery whereby at every stage where there is a question of the increasing or decreasing, in whatever ways, of some particular product of agriculture or food production, that there should be present, and audible, some one capable of speaking on the nutritional side of the question. We should never again support or attempt to depress the production of any foodstuffs without some one being present to say, "This is a good thing", or, "It is a bad thing", from the nutritional point of view. An excellent example, it seems to me, is the very large sum of money—some \$350 million, I believe—which the government of the United Kingdom spent upon sugar beet subsidies over many years prior to the war. This subsidy did give employment to a large number of workers upon the land, because the sugar beet is a crop which requires a fairly intensive working; and undoubtedly it brought relative prosperity to a considerable number of farmers. It was not economic for the country as a whole, because it was never possible to produce beet sugar in Britain at a price which could compete with imported cane sugar in peacetime. It was, nutritionally, of course, an unsound practice from the start, in that we were already in Britain consuming more sugar than was nutritionally desirable. I do not think that question of the nutritional desirability of the sugar beet subsidy ever came up at all or was ever heard of. I should like to feel that whenever any program of increasing or decreasing the amount of acreage to be devoted to this food or that crop, there should be five minutes spent in asking some suitable authority what effect is an increase of this food or a decrease in the other food going to have upon the health of the population. That is, I think, the main point that I should like to make here to-day. How that machinery should be set up is not, of course, for me to say.

With regard to the question about spreading information to the public, a very large work has been done in this field by many social agencies. I do not believe that the more privileged classes of the community are, by and large, aware of the enormous educational effort that has been put into this field. I am constantly finding, for example, medical men in my own community discovering with pained surprise that they know less in a practical way about principles of nutrition—whatever they many know theoretically—than many of their patients and many of their poorer patients. The Red Cross, as you mentioned, has especially made very wide educational efforts, particularly in the schools; and undoubtedly the schools are the place to start, because children absorb such information very willingly. Very frequently they can be appealed to to change their dietary habits in a way which an older person finds very difficult. I know from children of my own knowledge that they do quite earnestly consider whether this, that or the other food is going to be good for them and they can be trained to do that and they will carry on such information and such food prejudices into adult life. It is much harder for the adult to acquire a liking for something because he is told it is good for him. Most of us react in rather a negative way to the suggestion that some particular food is good for us. I know that when I lecture to women's organizations, for

instance, I usually receive protests within the next few days from the husbands because their wives insist on incorporating something that is not found acceptable.

I have no doubt that further educational efforts can and should be made and are being made by volunteer groups. In the city of Montreal this January a very vigorous educational effort was made and four lectures on the principles of nutrition were given to some 10,000 housewives who voluntarily registered for these courses. Many other Canadian cities have given similar instruction in the basic principles of nutrition. The Canadian Medical Association disseminated very widely some years ago an excellent little pamphlet which, having been disseminated free, was perhaps not read as widely as it should have been. There are many other methods being used; they are not, I think, approaching the limit of the desirable amount of effort, but still a very considerable worthwhile effort in nutritional education is going on. I feel that that is an important side of the picture. In addition to working, so to speak from the top, by making more valuable foods available on the market and that sort of thing, I believe one should also, of course, and parallel to that, try to create a demand for those foods by educational procedures. I think nutrition education deserves the official sponsorship which it has already in some measure enjoyed.

I do not feel, sir, that there is very much necessity for the introduction of new food products in Canada. It is quite likely that new crops will be discovered which can effectively be grown in Canada and which are of nutritional value. At the moment I cannot think of any particular example. I do feel that we should encourage fundamental research work on the question of how to improve the nutritional value of the crops we already enjoy. I look forward, perhaps in a visionary sort of way, to the day when the title of wheat king will be given not to the man who produces the heaviest wheat, but to the man whose wheat has the highest vitamin content, and that kind of thing. There has, so far, been very little fundamental research work on the breeding of varieties of food plants specifically for their nutritional value. They have been bred for increased yield, for resistance to cold or resistance to disease and so forth. As we all know, enormous advances have been made in Canada in the production of new and immensely valuable varieties of wheat—immensely valuable in the sense of extending the areas of cultivation and yields. If some of that effort could be diverted or could be increased to produce potatoes or tomatoes or even milks of higher than average vitamin, mineral and general nutritional value, I think that would pay enormous dividends in health in a very short time; because that would mean a great increase in available vitamin supplies with no cost to anyone except the very small sum actually expended on the original research investigation. That I feel is the direction in which one should look for new products; that is improvements on existing food sources derived by special cultivation and selection from the average of the materials at present furnished to the public.

The CHAIRMAN: I wonder if I might intervene here just for a moment. Dr. Pett is present. He is director of nutrition services in the Department of Pensions and National Health. One or two of the questions you asked, Mr. Macmillan, were such that the witness said it was not quite within his jurisdiction to answer.

Mr. MACMILLAN: I realize that.

The CHAIRMAN: Yes, I know you did. I wonder if I might call on Dr. Pett. I am sure that Dr. Thomson will excuse me for a moment, and will not mind if Dr. Pett takes over and answers those questions. I noticed that Dr. Thomson described these nutrition foods as luxury foods to some extent. I gather from Dr. Macmillan's question the implication that possibly in the post-



war period Canada might have large groups of men, women and children who, because of the breakdown of industrial production, might not be in a financial position to continue the purchase of these foods. Could you give us any information on that, Dr. Pett, in relation to what your department is already doing?

Dr. L. B. PETT: Mr. Chairman and members of the committee, may I first of all say that I speak with some reticence in trying to contribute to a discussion any statements that are extremely valuable. I am in accord with everything that I have heard Dr. Thomson say; and in a field such as nutrition, in which even experts sometimes disagree, that is, I feel, a statement worth making.

May I take one moment or perhaps two moments, sir, to tell you of the recently established nutrition services of the Department of Pensions and National Health, of which I am director, as well as being secretary of the Canadian Council of Nutrition to which Dr. Thomson has referred. These nutrition services were created as a war measure, and there were four general functions assigned—I will not say assigned officially, but at least they were in the correspondence when I came here from western Canada to the position late last fall. These four functions are pertinent to the deliberations that have been going on. I wish to submit them very briefly for your consideration.

Firstly, there was the question of the relation of nutrition to industry, and this was one of the first functions mentioned—that nutrition services should study existing facilities in industry; whether the people have a chance of being well fed, whether they get a meal in a cafeteria or whether it is in a carried lunch or any other way—specifically in relation to war industries and our war effort, because there is no doubt of the immense importance of nutrition in this field. I am also happy to say that I could speak at great length on that if it were convenient. I am a member of a sub-committee on nutrition in industry that has made a study of this matter in the United States, and in the five months that we have been operating in this field, most of our efforts have been devoted to this question, surveying existing facilities in Canada and trying to improve them. There is no question that proper attention to nutrition in industry can result in less disease, less loss from breakages, inefficiency and other factors.

That was one function for which nutrition services were created. There were three others—two not so greatly developed at the present time. We were to establish a staff, including myself, capable of advising, as it were, in a consultation manner, on nutrition and securing, as necessary, the advice of nutritionists in Canada, and the Canadian Council on Nutrition—and advising, I may say, any other department of the government. We are, as I say, a war creation only at the moment. Specifically mentioned was the Department of Public Information, to review such material as they were sending out on nutrition and to stimulate them to a little more information on nutrition that might be advantageous to the public at the present moment; to review where we had the opportunity from a nutritional standpoint rather than some other standpoint that might influence them. However, I am happy to say that this consultation service is, at least theoretically, as requested, available to other government departments, and when we are better known it may perhaps be utilized.

Thirdly, we were to attempt to co-ordinate all research throughout Canada that is going on more or less on local campuses, universities and laboratories in the country without much recognition—to co-ordinate those in organizations most useful to the war effort, by purely co-operative enterprise where people were willing. That is what we are attempting to do at the present time. The first, industrial; the second, consultation; the third, research; and the fourth to inform the Canadian public generally of food values, both as to the purchase and preparation of foods so that they might maintain an improved nutrition.

This applies to the whole population of Canada. In other words, to outline a Canadian nutrition program. This is in direct answer to the question raised a little while ago on the conducting of programs.

At the end of last November the Canadian Council of Nutrition met and I presented a suggested program for our first six months of operations, which was to place first emphasis on war industry, since that is an immediate job that can yield results rather quickly and which, furthermore, I felt then and still believe would have a beneficial effect on interesting people throughout Canada in nutrition. I should like to say that in my opinion there are three causes of malnutrition in Canada, and we have to recognize these. First, there is the economic factor to which reference has already been made. There is no doubt that a certain percentage of families cannot afford what we would consider a minimum adequate diet. What that percentage is I do not know. I do not think anybody knows precisely. But we had better recognize that it exists. Secondly, there is the educational factor. There are many people who just lack information about what they should eat or even where to get such information; that is perhaps the biggest factor. Thirdly, there is the factor of indifference; that is to say, there are people who definitely do not want to know what they should eat or are not interested, and are not interested in what nutrition can do for industry or in any other way. That factor of indifference is one that looms larger to me now than it did before. I think it is more important than I used to believe. I believe if we can show an example of some need for nutrition in industry by the work we have been doing recently—and I am preparing just now a report on this work for the Council of Nutrition which is meeting here in Ottawa next week—that example of the value of the interesting of industry in nutrition in Canada will serve as an example to many people at the present time relatively indifferent to this subject and will help us in that respect. I would also like to say that where a year ago there were about six cities in Canada carrying on a nutrition program of some type, just as Dr. Thomson has mentioned in Montreal, at the present time in Canada there are about sixty, or ten times the number exactly, carrying out that under the direct influence of my office. This is only to touch the fringe of the problem, but it is a start.

The CHAIRMAN: Is the government providing funds by which foods can be secured by poor people or has consideration been given to that?

Dr. PETT: As far as my office is concerned, there is no step in this direction whatsoever, desirable as it would be. I think one of the methods—if we may come back to this question of a nutrition program and how to conduct it—is the schools. Personally, as I said, last November, I think the schools are the most important means through which to work. But I believe there are other things that must necessarily be done, such as Dr. Thomson has been indicating. We must encourage the use of foods with nutritional value and discourage the use of foods that are perhaps not so good, which are definitely not so valuable nutritionally, in order to attain a better balance, if you want to use that term, in our diet.

Mr. DUPUIS: In your research have you found any kind or group of foods at a lower price that would give the same results in vitamins and minerals, which the lower class of people could obtain at a lower price?

Dr. PETT: I think that it is necessary not so much to try to find a new product, to substitute for old food habits, a new product in the sense of an entirely new food; but as brought out by Dr. Thomson, I think it is necessary to stimulate the use and proper use of products that are already familiar and that we are already using, and to stimulate the production of these familiar products with the highest level of vitamin and mineral content. That undoubtedly is the means, plus economic considerations which are a little outside of my scope. I speak here as a nutritionist. I am, of course, qualified both in medicine and in chemistry. I think there are economic considerations in the

general subject of stimulating or assisting the use of nutritionally valuable foods. There must be methods that could be exploited in the way of subsidies or something of that sort. But that is a matter that is a little outside of my field.

Mr. DUPUIS: Here is the reason I was asking the question. I had in mind the way of life of our fathers. I recall that previous generations used to live on a different standard of living, and were living a much longer life than we are to-day and were very much healthier than we are to-day. One of the main factors in the diet of those days was salt pork, as well as milk and vegetables. They lived a long life. At eighty years of age they used to eat pork three times a day.

Mr. MACMILLAN: Do not forget oatmeal.

Mr. DUPUIS: Yes, and oatmeal. And it is cheaper even to-day.

Dr. PETT: Those factors have been interpreted, in the last thirty years of research, into complex terms. We talk about vitamins now and we talk about whole grain cereals as being a desirable thing; that is, your oatmeal.

Mr. DUPUIS: We had buckwheat.

Dr. PETT: We discovered within the last three years that pork—and I am not referring necessarily specifically to your salt pork—happens to contain more of thiamin or vitamin B-1 than any other type of meat. We have discovered the reasons for some of these habits. We have even gone farther than this. We believe—and I want to emphasize this, if I may have another moment—that there are two factors to consider in nutrition, and I think it especially true for post-war consideration. It is not just a case of getting enough to eat. We can outline something of what is necessary to satisfy that. But it is the case that there is now research evidence from laboratories to show that eating a little above what seem to be the requirements of certain vitamins and minerals will actually increase the length of life; that it will decrease the likelihood of disease; that it will have an effect on vague things which, as a scientist and a medical man, I hesitate to mention. Yet there is evidence that it has an effect on vague things that we might call morale, courage, stamina, and the ability to face difficult situations. There is evidence that these things can be influenced by the diet. We can describe these things as Dr. Thomson has described them in terms of what we call protective foods. He has already given you a list of these in various ranks. There is not any question of the importance to health, and health of a sort that we have not realized and that thousands of our people, according to the Canadian dietary surveys, are not realizing to-day. The importance of nutrition to health is perfectly beyond all doubt.

Mr. GERSHAW: I have a question just along that line, Dr. Pett. A few days, in the course of general discussion in this committee, Dr. James gave an illustration that in a certain slum district in London children at the age of thirteen were examined. They had been examined each year, and it was found that this year the average child of thirteen was one and three-quarters inches taller and weighed eight pounds more than did his predecessor in 1937 and 1938. It was also brought out that each child in that district received one hot meal daily of protective foods. I just wondered if you, as a nutritionist, would attribute such a marked improvement entirely to nutrition. These children were not living otherwise under very favourable conditions. They were living in a part of London that suffered from enemy action. Yet they seemed to be marvellously developed. Would that be a fair illustration of what can be accomplished by a properly balanced and regulated diet for children?

Dr. PETT: I do not think there is any doubt about it, Dr. Gershaw. If I may, I shall go further. There has recently been published in the *Medical Officer*, a journal that comes from England—in fact, in a whole series of num-



bers—a very detailed statistical study of the effects of different phases of this war, and of the diet, on the heights, weights, and other aspects of children. I could not begin to summarize this particularly offhand for this committee in an accurate manner. But I should like to point out that they were under similar conditions, and the only factor that changed was the diet—the presence of perhaps one meal a day of protective foods. That was the only factor that changed, yet there was a change in the average height, weight and some other things that we studied. I do not think there is any doubt that this is merely an evidence. It is only one of the things that we can influence.

The CHAIRMAN: On what basis was this meal that was supplied?

Dr. PETT: This varied a good deal in different localities. This was a general summary. But the commonest method was a school lunch.

The CHAIRMAN: Provided by whom?

Dr. PETT: Provided by the local authorities, with special assistance from the Ministry of Food. There is not any doubt that the nutritional status of thousands of families in the United Kingdom to-day is better than it was before the war because of a policy with respect to food of subsidizing it or even making it available free to certain classes of people.

The CHAIRMAN: By governmental authority?

Dr. PETT: Yes.

Mr. HILL: It has been stressed here in the committee that a lot of these vitamins which have been obtained from luxury foods are necessary, as Dr. Thomson has said. We have the experience of our ancestors two generations ago. They were getting these vitamins through very plain foods. They did not have white sugar. They had brown sugar and molasses. They never saw a citrus fruit at all. Lemons or oranges were not known. Yet they appeared to have been healthier than we are and to live longer. I think that there were greater casualties amongst children from birth to one year of age, but that was due to lack of medical attention, not through foods. Should we not study going back to plainer foods and getting away from these luxury foods that cost so much and feed our people on cheaper and plainer food?

The WITNESS: Since that arises out of my previous remarks, perhaps I might take over from Dr. Pett. I am sure he would give exactly the same answer that I would. I feel that there are several answers to that suggestion which has been made many times to me and to everyone who has spoken on nutrition. One answer is, of course, that while it is quite true that many of our ancestors lived to very ripe old ages, still the average age or the average expectation of life of a newly born child is very many years longer to-day than it was even fifty years ago.

Mr. HILL: That is deceptive; due to the fact that they are getting more medical attention.

Mr. MACNICOL: And free medical attention.

Mr. HILL: And free medical attention, from childhood up to one or two years of age. I think perhaps if you take the length of life, the average expectancy of life after a child reaches ten years of age, you would find it much greater in the past.

The WITNESS: Well, actually I believe—I am most familiar with the statistics of the United Kingdom—that the expectation of life at birth has increased by some twenty years over the last half century, but that the expectation of life at age forty has remained practically stationary and has neither increased nor decreased very greatly. I feel, however, that the most important part of the answer to such criticism is that we have to realize that during the last two or three generations in Canada we have seen the development of great cities, which introduced quite new problems in the way of nutrition. As I said

at the beginning, one of our fundamental problems to-day is that because of their ease of storage and ease of transportation, and hence the possibility of selling them at low prices in large population centres, we have come to depend very largely upon refined foods which did not figure in the diets of our ancestors; and, therefore, if we continue to make use of these highly refined foods we must balance that and make an increased use of more valuable protective foods than were available to our ancestors. For instance, the consumption of sugar per head per annum has risen from something like 5 pounds to well over 100 pounds per head per annum. That sugar is devoid of minerals and vitamins.

*By Mr. Hill:*

Q. Is that true in urban populations?—A. Our urban populations have become a very large proportion of the population of our country.

*By Mr. Dupuis:*

Q. What do you call protective foods?—A. I gave a list of those earlier, but dairy products, liver, milk and things like that.

*By Mr. MacNicol:*

Q. I want to refer to some of the nutritious foods which were presented by the two doctors this morning in relation to the great mass of humanity with which I have always been very closely connected; I refer to the workingmen in the factories. I have in mind a plant of 1,000 men. Now, I believe Dr. Pett said that his branch were surveying the existing facilities in nutrition services as applied to industrial workers. Some reference was made to universities and so on; I want to get that directly connected with the home of the worker. The average workingman who has reasonable wages is always a good eater and a good spender and his wife is generally a good provider. The average workingman today, working in the big industrial plants, must have stamina and strength. His breakfast largely consists of the following or a variation of it: applesauce or prunes or figs, a good big plate of porridge, bacon and eggs, bread and butter, jam, tea or coffee. Then he goes to work with his lunchbox, and when the whistle blows at 12 or 12.30 he takes his lunch. I have often looked into those boxes because I was much interested in the men, and what do you find in any of them? The average would have an apple to start off with or a banana or an orange and then cold meats—unless they went to a cafeteria and got something hot, but all plants have not got cafeterias—many of the large government plants have because they have ample means to provide them, but the average plant is built up from nothing and is not equipped with a cafeteria, although I think it should be and will be—but in addition to cold meat he may have a piece of cheese, bread and butter, often a piece of cold pie. It is never warm unless the man happens to put his box on top of the radiator. Some have tea and some have coffee and some bring a bottle of milk with them. Now, when that man comes home at night he gets his real meal. He starts off, perhaps, with soup—soup is always good—his meat or his fish would be hot; then he would have one or two vegetables—probably carrots or cabbage as well as potatoes—bread and jam and butter, and he would finish off with rice pudding or bread pudding or some other kind of dessert and then have tea or coffee or milk. The average workingman's home, of course, is so far removed from all these nice nutritional ideas that I am wondering whether the diet I have outlined is a balanced diet. It must have been because in my time I have observed that in a plant of 1,000 men the number who would become sick in that time would be very small—the percentage would be very small—and they worked hard; they were moulders or machinists, blacksmiths, or fitters or one thing and another. I would like to know if that is a thoroughly balanced diet.

In addition to the food there is one other point that has not been mentioned this morning—I think one of the doctors may have mentioned it—that is the matter of bad teeth. My observation is that some men working in industry have become sick and have even died as the result of bad teeth. Teeth are often found to have pus bags at the bottom of them and dentists will tell you that those pus bags are full of poison which gets into the system. I have seen many men die suddenly and upon examination it has been found that teeth were largely responsible. I think that with regard to any plans or rules or regulations which we may recommend as the result of this very good evidence that has been placed before us this morning—and it has been splendid evidence—we should couple with it in the case of the workingman free dental inspection so that the workingman's teeth will be looked after.

I came across something on Saturday night when calling on a neighbour of mine, and this may be in operation; the province of Ontario has done certain things recently. The old age pensioner only receives \$20 a month—but I heard about a letter being received last Saturday or perhaps earlier from the Ontario government advising certain people of three things which have my support 100 per cent: All old age pensioners, all blind pensioners, all those receiving mother's allowance from now on will have free dental attention.

The CHAIRMAN: There is no reference here to those on veterans' allowance.

Mr. MACNICOL: No, I am referring to mother's allowance and old age pensioners because they cannot take care of themselves, and the blind. That is a great step, Mr. Chairman, in the right direction and will keep those old folks and those poor members living something along the line suggested by the very good information presented this morning, and that will go a long way.

Now, coming back to my question, would that be a fairly balanced diet?

Dr. PETT: Speaking generally, the balance you have mentioned as the food of an industrial worker was not too bad. When we began to work five months ago in industry in Canada it was without any preconceived ideas of what we would find as to the adequacy of a workman's diet, and I regret to say that we have not found anything nearly as good as you have described. If it was even as good as you have described I do not say that it is quite ideal, but I would not worry very much about the situation in Canada. Actually, our survey at the present time of existing facilities—and I may say that I am very much aware of the importance not just as regards lunch in the factory but what this man eats at home—we are trying to obtain information about this, and I say roughly only 35 per cent of the 300,000 workers we have studied so far—this is only a rough estimate because I have not the figures with me—

Mr. DUPUIS: Since the beginning of the war?

Dr. PETT: In the last five months. Since the beginning of the operation of my branch only 35 per cent of those 300,000 workers were getting what we would call a good lunch, and a good lunch would be about what you describe. Furthermore, a large percentage of workers have to leave home so early to go 50 or 60 or even 70 miles in some cases to a munitions plant or some similar work, that they have to have breakfast at 5 o'clock and they do not eat again until 12 or 12.30, and that is a serious situation.

Mr. MACNICOL: I was speaking of a big plant of which I knew where there were 800 or 900 workers living close to the plant.

Dr. PETT: That is an ideal condition; we found a few cases, but it is not the average. May I say with relation to teeth that the role of nutrition is not established, and I would not like to make a statement on it now.

Mr. MCKINNON: At this time it appears to me that this is an ideal opportunity for you people, not to prove your case to yourselves, but to prove it to the public, with these war plants. Now, is it possible to make a survey of those plants that have cafeterias and are operating under the food plan as



suggested by your department? Are there any doing that? Can you, over a period of time, have a record of the health of the people in those plants in relation to the people in other plants as far as time lost and those other factors are involved—something you could put up to the people of Canada and say: This is something we have tested out in Canada ourselves, and if it is tested at home it is better than something bought some place else.

Dr. PETT: Naturally this is something we wanted to do from the beginning; you will appreciate the fact as in all other types of health matters; but in one month or two months or even six months you do not see a dramatic change such as is necessary in convincing the public of anything as a result of a change in diet. However, we have established the necessary contact with the plants that are operating excellent cafeterias and I may say in passing that many of those plants welcome the contact with us and even found means whereby we could—I have a staff of dietitians who could advise and check on those menus—and they have found ways in which we could help them incidentally in the progress of their work and at the same time we are making every effort to collect as much in the way of statistics as will be impressive in the relation that we know exists between the diet and the loss of time or whatever else you wish in those industries. However, there are some experiments going on in the United States at the moment with which I am in close touch. They put the minimum period at at least six months and they are now inclined to extend it to one year for observation. I attended only recently a committee considering their progress after two months of operation, and although they said it would take six months to start with, as I said, after two months they observed the definite effect in certain particulars—an improvement in production where this could be measured like payroll and certain things, and the number of reports of first-aid stations.

However, that work takes time, but we are trying to do our best.

Mr. MCKINNON: Are you going to convince all people that they should eat proper foods, when they have these stream-lined figures and when they consider they cannot have the proper foods and have these other things at the same time?

Dr. PETT: We believe it is possible to maintain a reasonably stream-lined figure and eat some of the foods we recommend.

Mr. DUPUIS: May I ask you if your department has any control over government-owned plants in Canada as regards the cafeterias?

Dr. PETT: We have a connection with them through the corporation operating them; so far we have worked together most amicably.

The CHAIRMAN: It is now past 1 o'clock and on behalf of the committee I wish to thank both Dr. Thomson and Dr. Pett for the excellent presentation they have made to us today.

The committee adjourned to meet at the call of the chair.

















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SESSION 1942  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

RECONSTRUCTION AND RE-ESTABLISHMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

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THURSDAY, JUNE 4, 1942  
THURSDAY, JUNE 11, 1942  
THURSDAY, JUNE 18, 1942

Witness:

Mr. K. M. Cameron, Chief Engineer, Department of Public Works, Ottawa,  
and Chairman of the advisory subcommittee on Reconstruction  
dealing with post-war construction projects.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942







## MINUTES OF PROCEEDINGS

THURSDAY, June 4, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock a.m. Mr. J. G. Turgeon, the chairman, presided.

The following members were present: Messrs. Authier, Bertrand (*Prescott*), Brunelle, Castleden, Ferron, Gershaw, Gillis, Hill, Jean, Macmillan, MacNicol, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Marshall, Martin, Matthews, Maybank, Purdy, Quelch, Ross (*Middlesex East*), Sanderson, Stirling, Turgeon, Tustin and White.—26.

*In Attendance was:* Mr. J. E. Mackay, Secretary to Dr. James' Committee on Reconstruction.

Hon. Cyrus Macmillan, chairman of the steering committee, reported the recommendation that the committee consider at this meeting the evidence of Dr. James dealing only with matters of domestic concern; and that the official reporters be excused for the balance of this meeting. Motion adopted.

Mr. Castleden moved:—

That this committee consider the first set of problems mentioned in Dr. James' evidence on page 43, which are problems that are entirely domestic in the sense that Canada can proceed entirely on its own initiative.

Following discussion thereon the motion was adopted.

The committee adjourned at 1.00 o'clock p.m., to meet again at the call of the chair.

THURSDAY, June 11, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock a.m. Mr. J. G. Turgeon, the chairman, presided for a while and then Mr. D. A. McNiven was asked to preside.

The following members were present: Messrs. Authier, Bertrand (*Prescott*), Castleden, Ferron, Gershaw, Gillis, Hill, Jean, Macmillan, MacNicol, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Matthews, Purdy, Quelch, Stirling, Turgeon, Tustin and White.—20.

*In Attendance was:* Mr. J. E. Mackay, Secretary to Dr. James' Committee on Reconstruction.

The chairman read a letter from Hon. Walter Nash expressing his pleasure at having had the opportunity of addressing this committee.

The services of the committee reporters were dispensed with for this meeting.

It was agreed to have at the next meeting a representative of one of the subcommittees of Dr. James' Committee on Reconstruction; preferably Dr. Wallace, if he is available.

The committee adjourned at 1.00 o'clock p.m., to meet again at the call of the chair.

THURSDAY, June 18, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.00 o'clock a.m. Mr. J. G. Turgeon, the chairman, presided.

The following members were present: Messrs. Bertrand (*Prescott*), Brunelle, Castleden, Ferron, Gershaw, Gillis, Gray, Hill, Jean, Macmillan, MacNicol, McDonald (*Pontiac*), McNiven, Matthews, Purdy, Quelch, Ross (*Middlesex East*), Sanderson, Stirling and Turgeon.—20.

*In Attendance was:* Mr. J. E. Mackay, Secretary to advisory committee on reconstruction.

Mr. Jean moved:—

That the expenses of Dr. D. L. Thomson, who appeared before the committee on May 28 last, be paid.

Motion adopted.

The chairman introduced Mr. K. M. Cameron, Chief Engineer, Public Works Department, and Chairman of the subcommittee of the advisory committee on reconstruction dealing with post-war construction projects. Mr. Cameron proceeded with his statement.

As Mr. Turgeon had to leave, Hon. Cyrus Macmillan, the vice-chairman, presided.

The witness retired.

The committee adjourned at 12.35 o'clock p.m. to meet again at the call of the chair.

J. P. DOYLE,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

June 4, 1942.

The Select Committee on Reconstruction and Re-establishment met at 11.30 o'clock a.m. The Chairman, Mr. James Gray Turgeon, presided.

The CHAIRMAN: Gentlemen, we have a quorum and I would ask the meeting to come to order. You all know what we intend to discuss this morning—at least you know what was the proposal of the steering committee because I sent each member a personal note of it. I would ask the chairman of the steering committee, Mr. Macmillan, if he would give the report of that committee.

Mr. MACMILLAN: I have to report, sir, that the steering committee recommended to the chairman that we proceed this morning to a discussion of the brief or the evidence given by Dr. James, chairman of the committee on reconstruction, and that we deal only with the matters of domestic concern and leave out of account for the moment all questions of international relation. I, therefore, move that the reporters be excused.

The CHAIRMAN: You have heard the motion of Dr. Macmillan, on behalf of the steering committee. Are you ready for the question? The question is that for this morning's sitting the reporters be excused. All in favour?

The motion was agreed to.

Mr. McNIVEN: I assume that motion applies only to the official reporters and not to the press.

The CHAIRMAN: Oh, yes.

The committee proceeded to discussion.

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June 18, 1942.

The Select Committee on Reconstruction and Re-establishment met at 11 o'clock a.m. The Chairman, Mr. James Gray Turgeon, presided.

The CHAIRMAN: Gentlemen, we have a quorum, and I would ask you to come to order. Our witness to-day is Mr. Cameron, who is chief engineer of the Department of Public Works and who will go through the story of the work of the James' committee on publicly financed projects. Mr. Cameron was chairman of the subcommittee of that general committee. But before I call on Mr. Cameron, I think you have a motion, Mr. Jean.

Mr. JEAN: Yes, Mr. Chairman, I have. We have the right to call witnesses here, but they have some expenses in coming. On the 28th of May we had Dr. Thomson from McGill University. He has a bill of expenses of \$16.28. I move that we recommend payment of that bill.

The CHAIRMAN: You have heard the motion of Mr. Jean, that we recommend payment of \$16.28 covering the expenses of Dr. Thomson who gave his evidence two or three weeks ago. What is your pleasure?

Motion agreed to.



The CHAIRMAN: Mr. Cameron, I am going to have to leave in a very short while, and Dr. Macmillan, who is vice-chairman of the committee, will take over the chairmanship. I know that you will understand if I go it is not because I wanted to, but it is in spite of the fact that I wanted to be here whilst you were addressing us.

Mr. Cameron will break up his submission into three parts. I am sorry that he did not have enough copies to go around. He has only three copies, one for myself and there are two others here. He will be speaking on the various phases of the work done by that Committee, and I would appreciate it if Mr. Cameron be permitted to proceed without questions until each particular part of his submission is covered. He will break it into three parts; and judging from what is here, I do not think it is going to be awfully long, unless you fill up the time by questions, which I think you will. I will now call on Mr. Cameron.

Mr. K. M. CAMERON, Chairman of the Subcommittee on Post-War Construction projects, called:

Submission by Mr. K. M. Cameron, Chief Engineer, Department of Public Works, a member of the advisory committee on reconstruction and Chairman of the Subcommittee on Post-War Construction Projects.

## THE PLACE OF A PROGRAM OF CONSTRUCTION PROJECTS IN POST-WAR RECONSTRUCTION POLICY

### 1. *Place of Public Works Projects in the Total Reconstruction Problem—*

a. At its earliest meetings, the Committee on Reconstruction recognized the importance of having available a fund of public employment projects as a reserve against possible unemployment and dislocation in the post-war period. At the meeting of May 3, 1941, a number of broad suggestions were brought together on matters which must receive attention in reconstruction planning; and the section referring to public works is available for members of the Committee, who may wish to have an extra copy. It is also attached to the minutes of the third meeting, which are already in the hands of the members of the Committee.

b. It is important to make it clear that public works, or a public program of employment projects, is thought of only as part of the total preparation for the reconstruction period. There is a tendency to think of it as the only piece of policy which reconstruction involves. This is very far from being the intention of the Committee on Reconstruction.

As a reference to the Basic Memorandum will show (pp. 10-16), the Committee has outlined the main segments of the whole problem. Each one of these segments is important and we can only meet the immense problems of the post-war years by attending to all of them. But a reserve of public work is one of the features of reconstruction preparedness on which there is very widespread agreement.

There is another important aspect to public employment projects. They are a part of reconstruction policy which we can start to work on now, and which is very largely within our own control. As Dr. James has suggested in his classification of the elements of the reconstruction problem in his presentation to the Committee (Proceedings No. 2, pp. 44-47), this is one of the policies on which we can move, irrespective of international considerations.

(This does not mean, incidentally, that a public employment program is *entirely* domestic. It is now generally recognized that the maximum usefulness of a public works program as an anti-depression measure, can only be attained if a number of countries work together. The International Labour Organization

has been working on this proposition for a good many years. There is no doubt that the United States, which is committed strongly to the policy of building up a public works reserve, will invite and welcome our co-operation in launching any such program in such a way that the two countries will give each other mutual support.)

## 2. *Timing of the Works.*

Another matter which ought to be made clear before dealing with any details of administration is the matter of *timing*, that is the particular place in the sequence of post-war events in which a works program might be needed. Some people may still question whether a public works program is needed at all. The most generally accepted answer is that there are two periods in which such a program will be a valuable safeguard and preventive measure.

(a) Some public works projects might be needed *immediately after the war*, if the immediate dislocation of that period is very great.

(b) Even supposing there is a substantial post-war recovery and the immediate post-armistice dislocation is not very great, there is a real danger that the recovery will not last and will be succeeded by depression.

The committee would not be doing its duty, if it did not take account of this possibility. As pointed out by Dr. James in his statement on this point before the committee, a secondary post-war depression has been the experience of all major wars in the past.

Reference: Dr. James' statement, pp. 36-38, particularly third paragraph, p. 37: "We are compelled therefore to look to the fact that there will inevitably be a post-war depression either immediately after the war or at the end of this brief period of prosperity. To meet that depression, which will first show itself by local unemployment in certain areas where private enterprise has not been able to meet the needs of the situation satisfactorily, we must have in reserve some supplementary program of government activity."

## 3. *Administrative Machinery for Building a Works Reserve.*

Accordingly, the further working out of policy on this matter, which was entrusted to a special subcommittee, is not concerned with the economic theory of works policies, "pump priming" and the like, but with the actual machinery which is most suitable for Canadian conditions "for the effective organization of such a program in advance of the termination of hostilities".

The subcommittee is still at work on the details of public works reserve machinery. At the moment it is only possible to refer to a few of the main features or principles upon which the subcommittee is definitely agreed.

They are agreed that there must be a central coordinating body, which will see that a complete and up-to-date inventory of desirable projects is made. Secondly, they have strongly endorsed the desirability of appropriately constituted regional committees. The regional committees are of great importance, because so many works projects can only be properly evaluated in the light of local conditions; and because there must be an effective means of securing the cooperation of provincial, municipal and public interest generally in the various regional divisions of Canada. The idea of regional planning of all reconstruction measures has been endorsed by the committee on more than one occasion, although details will have to be worked out.

## 4. *Types of Projects Which Should Form Part of the Public Work Reserve.*

It should be made clear that the subcommittee (and equally the main committee) does not regard itself as a selection agency of local or national works projects; nor does it envisage itself as the body which at some stage will approve such projects. Its particular function is to recommend to the government

(a) the best type of general administrative machinery, (b) the standards or criteria which should be satisfied by projects included within the Canadian program.

(a) *General Criterion.* It is accepted by the main committee, as well as by the subcommittee, that the basic considerations which should determine the inclusion of works in a reserve program must be those of economic efficiency and social usefulness. The committee rejects any program of a mere work-giving or dirt-moving projects, or any return to some of the worst features of public works programs with which the depression years of the thirties made us familiar. Works proposed or accepted by public bodies should be projects justifiable on their own merits. To quote from one of the memoranda agreed on during the committee's deliberations. "The work projects in a reconstruction reserve program must be related to the special tasks of economic and industrial reconstruction as a whole. They should not merely be available for stop-gap employment. A formidable proportion of the whole Canadian economy must be readapted from war-time to peace-time purposes, and the projects should be designed wherever possible to aid in the tasks of relocation and readjustment."

(This does not necessarily imply that all works projects must be self liquidating in the usual sense of that term. There may still be room for some types of expenditure which contribute a social rather than an economic revenue of some kind, as in the case of the results of investment in education and public health for example. But the subcommittee is not yet ready to make its recommendations on all aspects of financing the works reserve.)

(b) *Categories.* Various classifications can be suggested to distinguish particular kinds of projects in a total program. These classifications depend upon the particular purpose in mind. There is, for instance, the need for considering both (a) short term and small projects, (b) long term or large projects. Projects of both kinds will be needed to fit in with the various demands which may be made, whether geographically or in point of time.

The grouping which has recommended itself to the subcommittee, however, as the most useful for discussing large groups of projects, each of which raises different administrative considerations, is as follows:—

A. Construction and related work undertaken by industry or by other private sources as part of their readaptation to peacetime conditions, or resumption of normal maintenance or expansion.

B. Projects of Dominion government departments, and related national agencies such as the C.B.C., the C.N.R., etc.; all of which would be wholly financed by federal funds.

C. Projects of provincial governments, wholly financed from provincial funds.

D. Municipal projects wholly financed from local sources.

E. Provincial, municipal, or other projects in which some proportion of federal aid is extended in the total construction expenditures.

The subcommittee is giving its first attention to categories B, C and D, as these are simpler matters on which to formulate recommendations; though these categories, of course, cover very wide and varied fields in which there is much to be done.

Special problems of policy are involved in projects which are financed jointly, particularly with Dominion grants-in-aid. This particular category—Category E in our grouping—is being reserved for special study after the main outlines of the necessary machinery have been reported on by the subcommittee.

Category A—construction works involved in industrial rehabilitation, and construction work from other non-public sources—raises special problems on



which we would welcome views from members of the parliamentary committee. The larger aspects of industrial reconstruction are still being considered by the committee from various angles, and it has not yet been possible to arrive at recommendations or a coordination of policy. It may be mentioned now, however, that it is hoped if satisfactory machinery for public works reserves can be devised, that private expenditure of an appropriate kind might also be planned through the voluntary cooperation of industry in such a way as to help stabilize the post-war period. This is a very big but important field. It is also a field in which the government has no direct control in the ordinary way; but it is something which deserves a good deal of consideration in the country generally.

#### 5. *Housing and Town Planning.*

Special importance of this field. Refer to separate panel—on Housing and Town Planning, reporting to the subcommittee.

This panel is still at work. On one matter, however, its members are already in emphatic agreement. This is that adequate city and regional planning is absolutely essential as the basis for any efficient housing program. We are aware, of course, that city planning cannot be enforced overnight. "In the case of the smaller cities, towns or regions, properly prepared town plans should be completely developed and adopted before any post-war housing development is finally approved. In the case of the larger cities more time would be required than is possibly available to complete such plans. In such cases, however, work on the general city plans should be started immediately, and at least the locality or neighbourhood for which the post-war development is proposed should be so planned as to fit into the general city plan when this is completed." There is a great deal to be done in this field in Canada before we can regard ourselves as being properly prepared for any big housing program after the war.

#### 6. *Conservation Program, and Measures for the Better Development of Canadian Natural Resources.*

This is an enormous and extremely important field in which there is every expectation of a series of work projects, though not necessarily all or even a majority will be of a construction type. The plans being considered by the Committee on Reconstruction have these matters very prominently in view, but the Subcommittee on Construction Projects will be guided by the considered views of the Subcommittee on Conservation on this particular branch of reconstruction policy.

#### 7. *Standards.*

The whole matter of the types of schemes and projects which should be part of a program is of great importance. The subcommittee was charged with giving special attention to this matter. Refer to terms of reference (Proceedings No. 1, p. 28, paragraph No. 2). "What specific standards should be applied in the study of specific projects for the purpose of determining their place in the program? How should specifications be drawn and preliminary planning be carried out?"

The considerations regarded by the subcommittee as being desirable for the appraisal of projects and proposals have been incorporated in a draft statement. This document is tentative, but is useful as a basis for consulting with public and private groups throughout the country. Copies of this statement are available for the committee. Discussion and comments welcome.

#### 8. *General Principles and Problems Involved in Organizing a Works Reserve.*

Possibly some reference to United States experience.

The WITNESS: Mr. Chairman and gentlemen, there is one thing I should like to introduce the subject by, and that is with reference to the attitude of the members of the subcommittee of which I have the honour to be chosen as chairman in respect to this matter. We are all, in a sense, from one field of activity—engineers, architects, construction men—and naturally, in civil life, there is somewhat of a degree of jealousy that sometimes arises. But we felt in our initial meeting that had to be totally set aside, and in our approach to this problem we have endeavoured—and I think succeeded so far and will continue to succeed—to treat this matter as Canadians for Canadians.

#### *Place of Public Works Projects—*

As the chairman has said, I should like to have the opportunity of securing your questions and criticism on any matters that you may wish to bring up arising out of this presentation. I propose to divide the matter in the presentation into approximately three parts. The first part will deal with the place of public works projects in the total reconstruction problem, the timing or incidence of those works in relation to the problem, and the administrative machinery for building a public works reserve. The second will deal with the types of projects which should form part of the public works reserve, which is in itself a fairly large field, and with specific reference to the problem of housing and town planning. Separately we might consider the part that public works and public works reserve will have in the other rather domestic parts of the total work of the committee which, as Dr. James set out in his presentation, covered also the field of agriculture and the field of natural resources. Then there is incidentally that matter of the standards by which the various projects which may be put up for consideration shall be gauged as against one another for inclusion in the program or list of works for the back-log, as it is sometimes called, of a public works reserve.

At its earliest meetings, the committee on reconstruction recognized the importance of having available a fund of public employment projects as a reserve against possible unemployment and dislocation in the post-war period. At its meeting on May 3, 1941, a number of broad suggestions were brought together on matters which must receive attention in reconstruction planning; and the section referring to public works is available for members of the committee who may wish to have an extra copy. It is also attached to the minutes of the third meeting of the committee on reconstruction, and those minutes you already have. But we have extra copies here, in case you would like to have them.

It is important, I think, at this time to make it clear that public works, or a public program of employment projects, is thought of only as a part of the total preparation for the reconstruction period. There is a tendency to think of it as the only piece of policy which reconstruction involves. This is very far, I think, from being the intention or belief of the committee on reconstruction. You have before you, and I hope you found it as interesting as I have, that Basic Memorandum which was drawn up for the guidance of the Main Committee. It contains the outline of the main segments of the whole problem. Each one of these segments is important, and we can only meet the immense problems of the post-war years by attending to all of them. But a reserve of public works is one of the features of reconstruction preparedness of which there is very widespread agreement at the present time.

There is another important aspect of public employment projects. They are part of a program which we can start any time. That is, we can get to work on them now, and have them ready for putting into effect when the proper time comes. That feature, of course, is very largely within our own definite control. Dr. James suggested this in his classification of the elements

of the reconstruction problem in his presentation to your committee, and I would refer you to the second volume of the minutes of your proceedings, at pages 43 to 47. This is one of the policies on which we can move, irrespective of international considerations. However, that does not mean that a public employment program is entirely domestic. It is now pretty generally recognized that the maximum usefulness of a public works program as an anti-depression measure can only be attained if a number of countries work together; that is, to obtain its maximum usefulness. The International Labour Organization has been working on this proposition for a good many years. The United States, as you know, is committed pretty strongly to a work-giving program or a program of building up a post-war construction reserve; and in the present instance they will possibly redouble their efforts in that respect. So that I think that the United States and possibly this country can find a very useful field of co-operation in the implementation of this post-war construction reserve problem. There is a possibility of a good deal of mutual support in that direction.

### *Timing of the Works*

The question of what is generally called the timing of the reserve then comes into the picture; that is, the time or place in the sequence of post-war events in which a public works or any other works program might be needed. There may be some people who would question whether a works program is needed at all. I think you have seen some reference to that, probably. But the most generally accepted answer is that there are two periods in which such a program will be a valuable safeguard and preventive measure.

First, some public works projects might be needed immediately after the war, if the immediate dislocation of that period is very great. Then, even supposing there is a substantial post-war recovery and the immediate post-armistice dislocation is not very great, there is a real danger that the recovery will not last and will be succeeded by depression. There are a great many factors, of course, that render that a very uncertain thing to prognosticate or certainly to give any prediction on. The committee would not be doing its duty if it did not take account of these possibilities. As pointed out by Dr. James on this point before your committee, a secondary post-war depression has been the experience of all major wars in the past.

I should like to make reference just to what Dr. James said, and you will find this on page 37, the third paragraph, of the minutes of the second meeting of your committee. He said:—

We are compelled therefore to look to the fact that there will inevitably be a post-war depression either immediately after the war or at the end of this brief period of prosperity.

You will recall that he saw the possibility of the public having funds which they would immediately try to spend in order to make up for their present lack of being able to get their consumer needs. Continuing:—

To meet that depression, which will first show itself by local unemployment in certain areas where private enterprise has not been able to meet the needs of the situation satisfactorily, we must have in reserve some supplementary program of government activity.

That dealt with the importance of planning the timing of these works to take up the slack of unemployment.

Then we come to the question of administrative machinery for building a works reserve. I should like to point out that in the working out of a policy



on this matter, the subcommittee is not concerned with the economic theory of works policies such as "pump priming" and that class of thing. But it is concerned with the actual machinery which is most suitable for Canadian conditions, and as is set out in our terms of reference, "For the effective organization of such a program in advance of the termination of hostilities."

#### *Administrative Machinery—*

Our subcommittee is still at work on the details of the public works reserve machinery. At the moment I can only refer to a few of the main features or principles upon which the subcommittee is in very general agreement. They are agreed that there must be a central co-ordinating body, which will see that a complete and up-to-date inventory of desirable projects is made. Then they are agreed on the desirability of appropriately constituted regional committees. The regional committees are of great importance, because so many works projects can only be properly evaluated in the light of local conditions; and because there must be an effective means of securing the co-operation of provincial, municipal and public interests generally in the various regional divisions of Canada. The idea of regional planning of all construction measures has been endorsed by the committee. The details necessarily will have to be carefully considered and worked out.

The CHAIRMAN: I am sorry I have to leave, and I will ask Dr. Macmillan to take the chair.

Mr. Cyrus Macmillan took the chair.

The CHAIRMAN: Mr. Cameron will answer questions on the first three sections, if there are any, before proceeding to section 4.

#### *By Mr. Quelch:*

Q. I do not know whether Mr. Cameron can answer this or not. I notice he said that the committee considered that a depression after the war was almost inevitable, at least after a short period of prosperity. Could you explain why you consider that depression is necessary, or why you consider it likely?—A. I think it is largely because of past experience, Mr. Quelch. We hope that it will not occur. It is everybody's hope, of course. I think it is everybody's hope that even a post-war construction reserve may not have to be put into effect at all, if other means can be taken to bring about general prosperity of a rising level after the war. It gives me an opportunity of saying that at least I feel that, in case other steps that may be taken in all good faith by this government or by this country and the government of this country with other governments does not effectively bring that about, there may be a depression. This will be something of one part of what Canada can do domestically to look after the well-being of the people of Canada, by providing employment. That is my personal conception of the matter.

#### *By Mr. Castleden:*

Q. Does the program of public works which you are contemplating include undertaking any work for the development of natural resources?—A. I was going to deal with that later on.

Q. Thank you. I will wait for that.—A. There are other subcommittees dealing with natural resources. We might as well take that in now.

Q. I shall be quite pleased to wait until it comes in its regular turn.—A. All right.

#### *By Mr. McNiven:*

Q. You used the expression "pump priming" a moment ago. That has been an expression in common use when applied to the New Deal in the United States?—A. Yes.

Q. What would be its application here? I assume that what you mean is that you have in mind works of a utilitarian character rather than merely for the sake of paying out money?—A. Yes. I make that quite specific just in the next section.

*By Mr. Ross:*

Q. I am a great believer, myself, in international co-operation. As regards reconstruction, I do not think we will get very far—at least, as far as we in Canada are concerned—if we do not have international co-operation in a large way. You said that, to get maximum results out of public works, we would necessarily require international co-operation. Could you elaborate on that a little, or go into a little more detail in connection with it?—A. I think what is in mind there is that we are, you might say, a junior partner in the English-speaking section of this North American continent. It has been my feeling that we are a great deal more dependent upon the prosperity of the United States than they are on our prosperity; and so far as public works are concerned, if they are prosperous, we are almost inevitably bound to be prosperous. Whatever benefits them would benefit us. That is a rather general statement in reply to Colonel Ross.

Q. It is based on the financial situation?—A. Yes.

Q. That is what you mean?—A. Yes.

*By Mr. Quelch:*

Q. Mr. Cameron, you were saying that the reason it is felt there will be a depression is due to past experience. Would you say that the reason there have been serious depressions in the past is due to the fact that, just as soon as there has been any sign of depression, the tendency of governments has been to curtail expenditure at the very time when there should be expansion of expenditure, in order to increase the demand against goods, by public works projects?—A. You are rather leading me off into the field of economics, in which I do not profess to be an expert.

*By Mr. MacNicol:*

Q. I should like to ask you a question, Mr. Cameron. In the list of public works in your brief, I see no reference whatever to flood control. That is a very important field for both skilled and unskilled employment out in the field and also for the factories. I know that you are aware of the tremendous flood control program that has been carried out in the United States. One example is in the Ohio valley, through the flood-proofing of its individual tributaries; there is the vast program that was carried out in the western states and there is the program that they have now projected for future employment. Speaking of Ontario—and the same thing would apply to the other provinces, particularly perhaps Quebec—we have had many disasters from floods. For instance, to be specific, I would mention the Grand river valley and the Thames river valley. At present you know that the Grand river valley has been flood-proofed, at least to an extent, through the building of a dam three miles north of the town of Fergus—the Shand Dam. I am not sure that will do the trick. I did not think so when I studied the plans, but if the engineers are satisfied, they perhaps are right. I was more in favour of the plans used in flood-proofing the Ohio river. But there is the Thames river. The Thames river valley is due at any time for colossal destruction through floods. They have had two or three bad ones. You may at any time have one that will be staggering. So that there is one river alone, the Thames river, that should be considered. This would all be self-liquidating. I see nothing here about flood-proofing whatever. Has your committee made a survey, throughout all the provinces, of the real benefits, through employment

and otherwise, of flood-proofing, thus limiting floods?—A. Mr. MacNicol, to answer the last question first, may I say that the subcommittee as well as the main committee is not concerned with the actual projects themselves. We are to advise the government on the machinery for setting up such a reserve. Your second or intermediate question I should like to answer, if I may, in this way. There are other subcommittees, particularly with reference to the question that you have raised, the one of conservation of natural resources. I think it would be a question of whether this particular matter of flood control would be one of conservation, inasmuch as it takes in questions of conservation of farm lands, forests and things like that, and whether it would be a question for that division of the work. Out-cropping or coming out of any such study like the Thames river or several others which we know, there would presumably be works to be carried out—construction of dams, and flood control works of one sort and another; but they would be part of the general conservation measure adapted to the watershed of the stream in question. As to the general question of flood control itself in this country as compared with the United States, I may say that I think we are very fortunate in this country from the standpoint of climate, in that our troubles on that score are vastly less than they are in the United States. They are faced with tremendous problems down there; here we do not have anything to compare with them at all. Undoubtedly in the reconstruction picture, at the proper stage, the question of flood control works is quite in order. Does that answer your question?

Q. Well, I am only thinking of jobs after the war.—A. Yes.

Q. Of immediately providing jobs for large numbers. I do not know whether the question of flood control is under your particular branch or not. I presume it is under consideration by this reconstruction committee, and I would think that it ought to have ready for after the war a plan worked out for all over, just as they were worked out in the Grand River Valley, between the municipalities, the provincial governments and the federal government, so that when the war was over, the bell would ring and thousands of men could at once be put to work. Works of this kind pay for themselves. We cannot lift ourselves by our bootstraps. I quite realize that. You cannot make money out of thin air. But works of that nature are not really a cost. They are an asset. They would give immediate employment all along the line. My honourable friend sitting in front of me knows that within the last few years the Thames River has flooded; he knows the situation perhaps much better than I do. Both honourable members sitting in front of me, Mr. Ross and Mr. Sanderson, know the situation. I made a survey of it myself. On the Thames River the water rises as high as sixty or seventy feet after it passes through London. It floods over the whole area and the highways, and it has taken quite a number of lives. All that can be stopped by a proper system of flood control. The municipalities are all ready for it. Every municipality is ready to go into it. I should like this committee or some other committee to compile, prepare and have ready a flood-proofing project for these rivers. Did they not have a flood a short time ago down on the Chaudiere, near Quebec city? I believe they did, and that several lives were lost. There are rivers down there that are flooding every year. Any one of them is subject to colossal floods as a result of cloudbursts or heavy rains, as in the last two or three days, because the present watersheds are not such as to take care of the water; because as you mentioned a moment ago, the country has been deforested and the rivers have been straightened. They have not got detours like nature gave them. I think there is a great opportunity to provide a lot of jobs at no cost to the country.

The CHAIRMAN: You suggest that Mr. Cameron's subcommittee should make that exploration?

Mr. MACNICOL: Yes, I do.



The WITNESS: I may say, Mr. Chairman and Mr. MacNicol, that as a result of the work of this subcommittee we hope that before very long appropriate machinery will be set up so that those studies can be put under way.

Mr. MACNICOL: I have not got them at my finger ends, but I have in my room figures showing just what the flood-proofing of these various rivers would mean in jobs. And that is our primary purpose, our main purpose. Our whole purpose is, when this war is over, that we will have plans and specifications ready to place 250,000, 350,000, 400,000 or 500,000 men in jobs. I went through the situation that followed the last war; and I am thoroughly convinced that the men coming back from this war will not tolerate what their fathers went through after the last war. There is no necessity for their tolerating it. These things should be, indeed must be, ready to place in work hundreds of thousands of men. The kind of work I am talking about now is self-liquidated, and would cost the country really nothing in the aggregate.

The CHAIRMAN: I am sure Mr. Cameron will take note of your suggestion.

The WITNESS: I am glad indeed that it has been so forcibly expressed, because in fact, the members of the subcommittee say I have been driving them too hard in getting this program advanced to a stage where we might bring forward the necessary machinery.

*By Mr. McNiven:*

Q. Following Mr. MacNicol's plea for jobs, I should like to ask this question. Is there a special department of government preparing plans or technical details of the St. Lawrence waterways scheme?—A. Well, I believe that the St. Lawrence waterways scheme is pretty well planned out. I do not think it would take very long to put it under way—that is as I understand it, although I have not any exact details—if it was once agreed on.

Q. If the optimist is right, and this war is over at the end of 1942, then we would have an immediate need for thousands of jobs?—A. Yes.

*By Mr. Gershaw:*

Q. Arising out of the suggestion of Mr. MacNicol, I should like to ask if the opposite to the control of floods has been considered. I refer again to the problem of irrigation. There too we have a problem on which a tremendous amount of investigation, surveying and experimental work has been done. Waters in the dry districts should be conserved for the use of the Canadian people. While there would be an initial capital cost to the government, yet there are great advantages to making homes for a great number of people by these irrigation schemes. Very extensive surveys have been made, so that the problem has reached the stage where it is almost ready to go ahead with in some of these larger schemes. I should like it, Mr. Chairman, if that would be considered as one of the public works problems which could be used for the purposes outlined when and if the depression strikes us after the war. I notice under the heading of "Airports" here it is suggested, "Canada being a country of long distances and wide spaces, the construction of airports should be encouraged, with all the necessary facilities." Is it not a fact that we have through Canada a very great number—100 or so—of air schools of different kinds? Would the reasonable course of action not be to salvage these air schools and use those for airports?—A. Dr. Gershaw, I propose to outline the different types of projects in the next section of my presentation. It was more with regard to the general feature of the timing that I was dealing at present, in connection with the work, and the matter of administrative machinery. Then I was going to come to the types.

The CHAIRMAN: Those are all set out in section 4, Dr. Gershaw.

Mr. GERSHAW: We have not got the brief.

Mr. MCNIVEN: Section 4 of what, Mr. Chairman?

The CHAIRMAN: Of this statement Mr. Cameron is making. There are not enough copies to go around. We will come to that just in a moment.

*By Mr. Quelch:*

Q. A certain term has been used which I find rather confusing. No doubt it will be referred to several times, so I should like to have a clarification of it. It is the term "self-liquidating". By that, do we mean that as a result of these projects, the general revenue of the country will be increased to such an extent that we can say the cost is met? Or do we mean it in the sense that it has been used in the past, as for instance, in the irrigation projects in the west where the irrigation projects have been put in and the understanding was that they were self-liquidating in that the farmers were to pay the cost, in land payments to the government? That has proved not to be so, and it has not been possible to include the cost of irrigation in the price of the land. If we mean "self-liquidating" in that way, I do not think these projects can be termed "self-liquidating". But if we mean that in the sense that, as a result of the projects, the general revenue of the country will increase to such an extent that we will say the cost has been paid, although the government may never actually get that money except perhaps in increased taxation, that may be so.—A. That also comes in the question of types of projects which I was going to take up.

Q. Will you define "self-liquidating", then?—A. At the time being we are fighting a little shy of that, because it presents probably one of the most difficult fields yet encountered. We wanted to get the thing going first, and then take up those problems a little later. I certainly have it in mind.

The CHAIRMAN: Would you care to make a supplementary statement on the general principles of machinery?

Mr. STIRLING: I unfortunately was a little late in arriving and missed the opening sentences of Mr. Cameron's remarks. But I rather gathered—and I should like to be informed if I am right—that we are not at the present moment so much dealing with the individual projects as we are attempting to visualize what type of administrative machinery may be made use of when the time comes. Is that right so far?

The WITNESS: That is quite right.

Mr. STIRLING: The difficulty that immediately presents itself, it appears to me, is to decide to what extent there can be collaboration between dominion, province and municipality, leaving aside the international question for the moment, in not only carrying out the works devised but arranging the methods under which a certain piece of work can be proceeded with at all. So far as the dominion government is concerned, it, of course, must make up its mind, and so declare as to the quantity of money that it is prepared to provide for this purpose. But I do not know that any arrangements have been even suggested whereby there may be direct co-operation between the three bodies that I have mentioned; and without that, I can only visualize proceeding with works at the design of the dominion government; and I do not fancy that is what Mr. Cameron's subcommittee is advocating.

The WITNESS: Well, Mr. Stirling, we hope that a central co-ordinating committee will be set up under the dominion aegis. Then we hope that, in collaboration with that body, there will be regional committees set up. That is what we feel would be a good method. Through these regional committees the provincial and municipal works programme could be brought together, together with the dominion works projects, and a complete picture made, kept up to date as changes would occur. The extent of the work-giving possibilities of the works—those works which would be recommended—would be at all times available, and no matter where the depression should show itself, there would be something planned. If it looks like a short-time depression—then work that

would take up that slack could immediately be put into effect. If it is a question of building up a long-time reserve, then the larger projects would be taken on in their turn. But it would be hoped that through the co-operation and collaboration of all three branches of government, the whole program would be there and the plans would be ready, as far as possible.

Mr. STIRLING: It would seem to me that is an admirable way of proceeding with a works program—the cataloguing in all its infinite details a works programme. But it does not seem to me to tackle the question of administration, how that work shall be proceeded with. Suppose something in the nature of an air disaster occurs in any province you like to name of the nine. The central administration will have an excellent catalogue of the works in that vicinity, which would be remedial and perhaps at that time there are men available who should be put to work. But I do not understand that any method has been designed or actually decided on of arranging for the finances, arranging for the actual carrying out of the work. I fully agree that this may not be the time to approach that very difficult matter. It may be that the subcommittee has decided that it is a thing that must be attended to in the future and we must get together our catalogue of what may be done first. Perhaps that is the case.

The WITNESS: I think that is just the case. We have hardly come to that stage yet. I think Dr. James made reference to it in his presentation before your committee, that it would be a question of the dominion, the provinces and the municipalities getting together and seeing to just what extent each one would get in on the actual financing of such works as might be decided on as necessary.

Shall I go on with the presentation?

The CHAIRMAN: Are there any other questions? If not, I will ask Mr. Cameron to proceed.

#### *Types of Projects—*

The WITNESS: I think I remarked before, but I should like to again remark, that the subcommittee and also the main committee does not regard itself as a selection agency of local or national works projects; nor does it envisage itself as the body which at some stage will approve such projects. Its particular function is first, to recommend to the government the best type of administrative machinery, which I outlined under the first part of this; and secondly, the standards or criteria which should be satisfied by projects included within the Canadian program.

It is accepted by the main committee, as well as by the subcommittee, that the basic considerations which should determine the inclusion of work in a reserve program must be those of economic efficiency and social usefulness. The committee rejects any program of mere work-giving or dirt-moving projects, or any return to some of the worst features of public works programs with which we have had experience in previous depression years. Works proposed or accepted by public bodies should be projects justifiable on their own merits. I should like to quote from one of the memoranda agreed upon by the main committee. In that you will find it says:—

The works projects in a reconstruction reserve program must be related to the special tasks of economic and industrial reconstruction as a whole. They should not merely be available for stop-gap employment. A formidable proportion of the whole Canadian economy must be re-adapted from war-time and peace-time purposes, and the projects should be designed wherever possible to aid in the tasks of re-location and readjustment.



The question of self-liquidating projects was raised; and it was not intended, of course, that all works must be self-liquidating in the usual sense of that term. There may still be room for some types of expenditure which contribute to social rather than economic revenue. We could cite cases such as investment in education, in public health and some of the projects which have been mentioned in the discussion this morning. When I come to the reclamation of land and irrigation, I have in mind one instance that answers two or three questions in a sense. That is the Milk and St. Mary's river project, sometimes known as the western water problem. In Alberta where the Milk and St. Mary's rivers cross the international boundary two or three times, the division of water is under international agreement. But the states on the United States' side have practically taken all their share of the water, and unless Canada takes care of its share of the water the United States has the use of it. A project has definitely, I think, been very completely worked up on the utilization of that project in Canada in that section of Alberta. That is something that I think is very applicable to two or three features here. I just cite that as one particular instance.

*By Mr. Stirling:*

Q. May I ask a question at that point? Twenty years ago in southern Alberta exactly that language was being used with regard to the use of that water. Has Canada any indication to-day that the United States is more determined to-day to make use of that water allocated to Canada but not used?—A. I do not think so, Mr. Stirling. I think the conditions are such that there will be an agreement. It is indicated that there will be an agreement between the United States and Canada, that the use by the United States of that will be postponed until Canada has a chance to put this project into operation. I think that is indicated, or at least it is a very genuine hope.

#### *Categories—*

As to the categories of works, various classifications can be suggested to distinguish particular kinds of projects in a total program. These classifications depend upon the particular purpose in mind. There is, for instance, the need for considering both short-term and small projects and long-term or large projects. Projects of both kinds will be needed to fit in with the various demands which may be made, whether geographically or in point of time. As to the description of the works themselves, the grouping which has recommended itself to the subcommittee as the most useful for discussing large groups of projects, each of which raises different administrative consideration, is as follows:—

1. Construction and related work undertaken by industry or by other private sources as part of their re-adaptation to peacetime conditions, or resumption of normal maintenance or expansion.
2. Projects of dominion government departments and related national agencies such as the Canadian National Railway, the Canadian Broadcasting Corporation—and I suppose you might include Trans-Canada Airways—all of which would be wholly financed by federal funds.
3. Projects of provincial governments, wholly financed from provincial funds.
4. Municipal projects wholly financed from local sources.
5. Provincial, municipal or other projects in which some proportion of federal aid is extended in the total construction expenditures.

That gives five broad groups into which it is thought most projects can be covered. The subcommittee is giving its first attention to the intermediate three categories—that is, wholly dominion, wholly provincial and wholly municipal projects. They are naturally simpler matters to deal with and formulate recommendations on, at the present time, though, these categories, of course, cover very wide and varied fields in which there is much to be done.

Special problems of policy are involved in projects which are financed jointly, particularly with dominion grants in aid. That is the fifth of the categories. That is being reserved for special study after the main outlines of the necessary machinery have been reported on by the subcommittee.

In respect to construction works involved in industrial rehabilitation, and construction work from other non-public sources, I may say that this raises naturally special problems on which we would welcome the views of the members of your committee. The larger aspects of industrial reconstruction are still being considered by the committee from various angles, and it has not yet been possible to arrive at recommendations or a co-ordination of policy. It may be mentioned now, however, that it is hoped if satisfactory machinery for public works reserves can be devised, private expenditure of an appropriate kind might also be planned through the voluntary co-operation of industry in such a way as to help stabilize the post-war period. This is a very big but important field. It is also a field in which the government has no direct control in the ordinary way; but it is something which deserves a good deal of consideration in the country generally.

#### *Town Planning and Housing—*

Arising out of these projects, I should like to make special reference to the question of housing and town planning. It seems that almost every place you go, everybody you meet begins to talk about housing and town planning. The subcommittee, while considering that housing and town planning would naturally fall within a works program reserve, felt that it was one field in which it was most advisable to set up a panel for special study of the general features by which housing proposals which might come before the regional committees or the central committee or anything like that, could be compared in order to see whether they meet desirable conditions. On our subcommittee we have Mr. Nicholls, who is director or administrator of the Dominion Housing Act, and Mr. Mooney, who is manager or director of the Association of Mayors of the municipalities of Canada. Those two, together with Mr. Ralph Ham of Winnipeg, Professor Eric Arthur of Toronto, Mr. Humphrey Carver of Toronto, Professor Curtis of Queen's University at Kingston, Mr. Marcel Parizeau, architect and town planning consultant of Montreal, and Dr. Price of Halifax, who is chairman of the Nova Scotia Housing Commission, are the panel which has been set up and which has had at least one meeting for the exchange of views on that general town planning and housing problem.

*By Mr. McNiven:*

Q. Just there may I ask whether it would not be desirable to include on that committee a representative from western Canada?—A. Well, we have Mr. Ham of Winnipeg. Of course, the difficulty of going too far is the amount of time that it takes a person from the west to get here, and if he can spare the time. Of course, everybody works without remuneration other than the return of his actual expenses. If he could spare the time, it would be very nice.

Q. There are a lot of very public-spirited men out there.—A. I know there are. If you have anybody you would like to suggest, I should like to know.

The CHAIRMAN: Perhaps you could give the name to Mr. Cameron privately, Mr. McNiven.

Mr. Ross: Bring him in by Trans-Canada.

The WITNESS: There is one point on which the members of that panel are in rather emphatic agreement, which I should like to bring out. It is that adequate city and regional planning is absolutely essential as the basis for any efficient housing scheme or program. They are aware that city planning cannot be enforced overnight. They say:

"In the case of the smaller cities, towns or regions, properly prepared town plans should be completely developed and adopted before any post-war housing development is finally approved." Possibly some of you may have encountered situations—I have heard of them but I have never seen them—where a city has adopted a town planning scheme. It has used its legislative authority or the authority granted it by the legislature to plan outside of its actual boundaries. Then a development has occurred outside those boundaries. The city has in turn exceeded the original plan and finds this sore spot as a sort of sore ring surrounding pretty much the whole town. It is just one feature of the apparent need of town planning well in advance. They continue:

"In the case of the larger cities more time would be required than is possibly available to complete such plans. In such cases, however, work on the general city plans should be started immediately, and at least the locality or neighbourhood for which the post-war development is proposed should be so planned as to fit into the general city plan when this is completed." There is a great deal to be done in this field in Canada before we can regard ourselves as being properly prepared for any big housing program after the war. That is why we were anxious to get this panel set up and get the result of its joint deliberations.

Now I should like to invite any questions on that second feature; that is, types of projects.

The CHAIRMAN: And on housing?

The WITNESS: On housing and town planning.

The CHAIRMAN: Are there any questions?

Mr. MACNICOL: Did he pass over the rehabilitation of industry?

The WITNESS: We of course, in the subcommittee, on the question of building up a reserve of construction projects, hardly feel that the rehabilitation of industry is part of that program. But arising out of the rehabilitation of industry, we see that there is the possibility of some construction work being brought out.

Mr. MACNICOL: The construction industry is one of the great industries that is closely allied with any actual manufacturing industries.

The WITNESS: And any works reserve.

Mr. MACNICOL: I can give you one case of what you will be up against. During the first week of November, 1918—and I remember it very well—a plant that I knew a great deal about was putting out approximately 1,800,000 pounds of iron per week. That would be 900 tons per week. It was not an exceptionally large plant, but that was a fairly good tonnage—about 150 tons a day. During the third week of November that was down to less than 50 tons per week. That is what you are going to be up against. You are going to be up against the complete cutting off, or the almost complete shutting down of industry. Industry has to run on a business basis. You cannot continue to pay out large sums of money to operate and have no place to ship what you produce. They will have no place to ship what they produce. The construction industry is, of course, very closely associated with that instance that I gave you. Were the construction industry ready to go on and were the government ready to say throughout Canada, in association with the provinces and municipalities, "We want 1,000 houses in this city; we



want 1,000 houses in that city; we want 15 houses in the other city"—and there will be lots of opportunity for that—then such an industry as I have in mind would not have to contract to such an extent as to reduce from 900 tons of iron per week to 50 tons of iron per week. It would be reduced at a more reasonable rate. I remember the situation very well. I can plainly see what a tremendous problem it is when you come to deal with industry, because industry will have to run on a business basis. Governments do not have to do so.

*By Mr. Castleden:*

Q. Might I suggest that statistics and observations reveal a rather appalling condition with regard to rural housing. I should like to strongly suggest that the committee on housing—and I might state in passing that certain members of that committee, including Dr. Prince, have done some splendid work—that they take as one of their subjects of research the problem of rural housing in Canada.—A. Thank you. I will certainly see that they do that.

Mr. MacNICOL: I am happy to endorse that. I think it is a good suggestion. There is no reason why rural housing throughout Canada should not be modernized right up to the minute. Every one of us feels very strongly for those fine men, women and their families, the farmers, and about what they endure to-day in comparison with what the city householder endures. That is a very fine opportunity which has been brought out by Mr. Castleden. I believe thousands of jobs could be provided in producing material for the modernization of farm houses. I have a house in the country, and at the moment you cannot get the materials. We wanted to put in new plumbing and new heating equipment which would cost perhaps \$1,500. It is not possible to get it. That will be a job for after the war. There are thousands and thousands of places like that. I think that is a very good suggestion that Mr. Castleden has made, if he includes with it the modernization of the present houses.

The CHAIRMAN: Mr. Castleden's suggestion, as I take it, includes a study of the whole problem.

Mr. CASTLEDEN: Yes, by that committee.

*By Mr. Castleden:*

Q. You have a housing committee set up?—A. Yes. Of course, that is a matter which is naturally of very much interest to the agricultural subcommittee.

Mr. QUELCH: It could be regarded especially from the angle of the people, where most of them have not the means to build houses or even to pay a fair rental.

The WITNESS: We have a special liaison between the various subcommittees. If any problem is brought up in our committee which seems to relate to the others, we draw it to their attention. I shall be glad to see that this will be drawn to the attention of the agricultural subcommittee.

Mr. ROSS: You would include villages, towns and parishes, would you?

Mr. CASTLEDEN: They have already taken up the matter of town planning.

Mr. ROSS: Those are included in your suggestion?

Mr. CASTLEDEN: Yes. The matter of rural housing and the providing of plans.

*By Mr. Matthews:*

Q. I should like to ask what form that housing idea is supposed to take. Is the government assuming the financial responsibility both at the time and in the future, or would the idea be for them to make the individual build, with

government assistance?—A. Well, I do not think I am in a position to answer that question. There is a good deal of argument going on now about the extension of the Dominion Housing Act.

The CHAIRMAN: Dr. Gershaw, you asked a question about airports. Do you want to bring that up again under this?

Mr. GERSHAW: Well, I assume that will come up later in the discussion.

The CHAIRMAN: Are there any other questions? If not, will you proceed with section 6, Mr. Cameron.

### *Natural Resources Conservation*

The WITNESS: Thank you. I mentioned before that there are other subcommittees, those on agriculture and so on. I should particularly like to mention to you the committee under Principal Wallace of Queen's University on the matter of conservation, rehabilitation and development of natural resources. This is an enormous and extremely important field in which there is every expectation of a series of works projects, though not all or even a majority of them will be of a construction type. The plans being considered by the committee on reconstruction have been matters very prominently in view, but the subcommittee on construction projects will be guided by the considered views of the subcommittee on conservation on this particular branch of reconstruction policy. That brings in questions such as Mr. MacNicol and Dr. Gershaw raised about flood control and works arising out of flood control; irrigation and works arising out of that. There is an interdependence between the two; and to make the thing work, you have got to have all the angles of the thing geared together properly. The committee on conservation, I think, properly deal with the large view of the thing, and the resulting works out of that will automatically be carried out by the proper authority.

### *Standards*

The final matter that I particularly want to bring up is that the whole matter of the types of schemes and projects which should be part of a program is of great importance. The subcommittee was charged with giving special attention to this matter. In the terms of the reference which you have had before you, the subcommittee was asked to say, among other things, "What specific standards should be applied in the study of specific projects for the purpose of determining their place in the program? How should specifications be drawn and preliminary planning carried out?" In respect to the first part of that, "what specific standards should be applied in the study of specific projects for the purpose of determining their place in the program", the subcommittee has drawn up tentatively a document which we have copies of, and which I think has been circulated, called "Considerations for evaluating projects". We read through a great deal of literature on this subject and endeavoured to select out of that literature the various points and questions which other people writing on the question and having experience with the matter had considered could be given weight and needed answering in connection with the projects. That is a draft. We have taken occasion to circulate several hundred copies, I would think, of that to individuals and particularly to organizations whose functions would have some relation to the construction field. That was done possibly six weeks ago, and they are all invited to reply, giving us their constructive criticism of this form. As you will see, there are five main subdivisions. The first is general. There are six subquestions. That is under the general features. Under B, labour and employment, there are four draft questions. Under C, which is marked G here but should be C, financial, we endeavour to get an idea of what the cost of the work is, and how it is to be financed, if possible; that is, under what organization, either government or otherwise. Then, section D deals with

the technical or design features of the matter; and E is legal. That largely resulted from my own experience in public works and the difficulty, once parliament has voted the money, of getting the necessary title to the property on which to build the works. There are delays that occur in that. That is under the general heading of legal (property). Then under F we bring in the general question of grants in aid.

If there are any questions in relation to this, I should be glad to try to answer them. This is something of great interest to the subcommittee. Any questions in relation to this would be appreciated, either now or later. If any member subsequently has any suggestions he would like to make, if he would be good enough to send them on to us, they would indeed be appreciated.

*By Mr. MacNicol:*

Q. Are you dealing with F?—A. In part.

Q. That is, "grants in aid". In connection with flood control, do you not recall the plan that was followed in connection with the Grand river?—A. Yes.

Q. Could others not be surveyed and made ready to proceed with?—A. In the case of the Grand river, the municipalities paid 25 per cent, the province paid 37½ per cent and the dominion is paying 37½ per cent.

Q. Yes. The very same plan should work out anywhere. If the Thames river were put under flood control, as it should be, you would have to deal with the townships and the municipalities adjacent to the Thames river from at least around Woodstock right down as far as Chatham?—A. Yes.

Q. I presume the costs are estimated.—A. I think I have seen a preliminary report on the Thames river situation. It was in flood at the same time as the Grand river flood control crystallized into the Shand river dam, but it has never been as destructive as the Grand river flood.

Mr. MACNICOL: A few years ago they were nearly wiped off the map. This year there were not any bad floods on the Grand, but they are due for one any time which will wipe them right off the map.

Mr. ROSS: I know they had a very bad one in London, especially in the suburban part, and the government owe a great tribute to those people who cooperated. If they had not, there would have been a terrific loss of life. I think there was only one casualty. Looking the situation over, you would marvel that there were not hundreds drowned at that time. It is a very important subject.

The CHAIRMAN: Are there any further questions?

*By Mr. Gershaw:*

Q. If I may be pardoned for referring to this matter again, I might say this in connection with irrigation. There is an organization set up now with an engineering staff and with men who have had a lot of experience. I am referring to the Prairie Farm Rehabilitation Group. I should like to ask if, in connection with any of these problems, the regional board was set up, would it be a group of that particular kind who already had preliminary work, had the staff and had experience and particularly knowledge of the schemes?—A. I would think unquestionably they would have representation on the regional committee. Certainly, the regional committee would be there to receive their representations, those who were interested in it; and in the carrying out of the works, by whatever means they were subsequently carried out, the staff that has knowledge of the work itself would undoubtedly have to do with it.

*By Mr. Matthews:*

Q. Can you suggest about how many regional committees there might be across Canada?—A. The discussion has concentrated around two phases. One is that works problems, natural resources and agriculture should, if possible,



cover regionally the same general areas. That led to the feeling that Canada as a whole would seem to logically divide itself into five regions: one, the Maritime provinces which, if set up under one regional committee, could then, under that, have sub-regional committees, even smaller than the provincial one, if necessary; Quebec, second, Ontario, third; the prairie provinces, with common features, fourth; and British Columbia, fifth. That is the way the general feeling or trend of thought has gone so far.

Q. That would seem very logical.—A. Yes. And then, of course, under those regional committees, sub-regional committees to meet any particular problem or district, could quite readily function, it was thought.

*By Mr. McDonald:*

Q. I should like to ask a question in connection with the subject of flood control. I have particular reference to what Mr. MacNicol has said about the Thames river. Has the attention of the committee been drawn to the fact, or have they ever considered flood control anywhere in the province of Quebec, having particular reference to what happened this week? They had a serious flood down in the vicinity of Sherbrooke in the eastern townships, on the St. Francis river, and again further on down in Beauce county on the Chaudiere river. I understand very considerable damage has been done to property, livestock, crops and everything else. I was wondering if at any time the committee has had any report or made any study of flood conditions in that district, particularly in connection with conditions on the Chaudiere river. Practically every spring it reaches a serious flood condition there. They had a downpour of rain and that brought about the condition in the St. Francis and Chaudiere districts. Have you any information in regard to those districts?—A. Mr. McDonald, we as a committee, as I said, are not dealing with specific works such as the Chaudiere or the St. Francis river. I know both of them. The St. Francis river, of course, has several dams across it, and there are one or two at lake St. Francis. Those are controlled by the Quebec Streams Commission, and there is a dam at the outlet of lake Megantic which is at the headwaters of the Chaudiere, but those are apparently intra-provincial or under the Quebec Streams Commission. If we have any projects for improvement then they would come into the program as part of the provincial scheme or with dominion aid or whatever the scheme which might be decided on was. There has been a lot of drainage work undertaken in the province of Quebec through dominion aid, by the province in association with municipalities, to relieve farm lands from too long spring flooding. We had quite a few of these in my department. In Quebec they have progressed until they are about on the same basis as in Ontario where they have a Drainage Act now, which is quite an improvement. That is the situation we have.

*By Mr. Castleden:*

Q. I was wondering whether the committee has taken into consideration the matter of dealing with the persons who own property or people who get control of supplies and things that are required, equipment that is required in public works construction. It seems to me that a committee in carrying on work that is in the public good should have the power to expropriate any material or equipment anyone in a privileged position might have when they were trying to corner supplies which are essentially needed in these projects—that the committee or whatever group is in charge of this construction should have the power to take those things over if that is considered to be in the public good, and prevent exploitation. I am thinking of a case where people, knowing that certain property is going to be required for town planning, try to move themselves into a position where they get control of that property. The prevention

of that kind of thing should be considered in the projects, to prevent a recurrence of that?—A. I only know in as far as the dominion is concerned, of course, the power of expropriation under the Expropriation Act can be exercised. I presume that provincial and municipal boards have corresponding power within their jurisdictions. It does not strike me as being a question of whether the power exists, it is largely probably a question of whether the occasion arises and whether the authority will exercise its power or not.

Mr. Ross: The price ceiling looks after one phase of it anyway.

The CHAIRMAN: I think Mr. Castleden has in mind the case of refusal to give up certain properties that might be necessary for projects.

Mr. CASTLEDEN: Yes, or if certain materials or equipment are required in any projects and someone might have control of them.

The CHAIRMAN: That is a matter for another committee. Are there any further questions? Mr. Cameron's statement will be printed in the record of the proceedings, and after the committee have studied the statement I am sure there will be other questions for Mr. Cameron to answer and he will be available for further questioning if necessary.

The WITNESS: Yes.

The CHAIRMAN: I express the thanks of the committee to you, sir, for your attendance and your very excellent statement.

The committee adjourned to the call of the chair.





















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SESSION 1942  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

# RECONSTRUCTION AND RE-ESTABLISHMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

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THURSDAY, JUNE 25, 1942

## WITNESS:

Mr. K. M. Cameron, Chief Engineer, Department of Public Works, Ottawa,  
and Chairman of the advisory subcommittee on Reconstruction  
dealing with post-war construction projects.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942





## MINUTES OF PROCEEDINGS

THURSDAY, June 25, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock, a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Bertrand (*Prescott*), Castle-den, Ferron, Gershaw, Gillis, Hill, Mackenzie (*Vancouver Centre*), Macmillan, MacNicol, McDonald (*Pontiac*), McNiven, Matthews, Purdy, Quelch, Ross (*Middlesex East*), Sanderson, Stirling, Turgeon and Tustin.—19.

In attendance was Mr. J. E. Mackay, Secretary to the advisory Committee on Reconstruction.

Mr. K. M. Cameron, Chief Engineer, Department of Public Works, Ottawa, and Chairman of the advisory subcommittee on Reconstruction dealing with post-war construction projects, was recalled and further examined.

The witness retired.

The Committee adjourned at 1.00 o'clock, p.m. to meet again Tuesday, June 30, at 11.30 a.m.

J. P. DOYLE,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

JUNE 25, 1942.

The Select Committee on Reconstruction and Re-establishment met at 11.30 o'clock a.m. Mr. J. G. Turgeon, the Chairman, presided.

The CHAIRMAN: Gentlemen, Mr. Cameron is with us again to-day. I was forced to be absent at our last meeting, but a reading of the minutes convinced me how interesting Mr. Cameron's evidence was to the committee. Mr. Cameron has some letters that he would like to put on record and then he will be open to questioning with regard to the evidence he gave at our last meeting or with regard to any other matters that members of the committee think he would have knowledge of.

Mr. McNIVEN: I notice, Mr. Chairman, in this morning's *Citizen* that the National Rotarian Convention sitting in Toronto considered the very question we have before us, and I was wondering if the clerk could get in touch with the secretary of the Rotarian convention and get particulars of their conclusions with regard to rehabilitation and re-establishment.

Hon. Mr. MACKENZIE: Yesterday I received from the secretary of the Federation of British Industries a very comprehensive report on reconstruction which I shall be glad to send to the committee.

Mr. McNIVEN: Apropos of that, the Canadian Manufacturers' Association had a meeting about ten days ago, and they had a committee working on exactly the same matter. I was wondering if we could communicate with that body and get their views. Also, I understand that the Montreal office of the International Labour Office has a brochure on the same question. I wrote for a copy of their publication, but I did not get an answer.

Hon. Mr. MACKENZIE: We have that available. I shall be glad to see that it is tabled with this committee.

Mr. McNIVEN: I was thinking of it for the purpose of this committee Mr. Mackenzie.

Hon. Mr. MACKENZIE: Yes, I shall be glad to send it to the chairman.

The CHAIRMAN: Now, we will call Mr. Cameron.

Mr. K. M. CAMERON, Chief Engineer, Department of Public Works, recalled.

The WITNESS: Mr. Chairman and gentlemen, at the last meeting which I attended as a witness I directed your attention to this draft memorandum or questionnaire that our subcommittee had prepared and which had given some wide circulation to considerations for evaluating projects, and we hoped for some criticisms on the questions in that document. Since it was circulated we have not had a very great number of written replies, but amongst those which we have received there were three which I think might be of interest to your committee, Mr. Chairman. One is from Mr. Eric Cross of Simcoe, Ontario, which seems to me to reflect the viewpoint of the non-construction administrator on the subject; another one is from the city engineer at Stratford, Ontario, and gives the viewpoint of the city engineer on that subject. That was obtained as the result of the inquiry we sent out through the association of mayors of municipalities in Canada who in turn circulated this questionnaire to the mayors of most of the municipalities and asked them to turn the matter over to their executive officers for consideration. The third one is from Mr. E. A. Cleveland, of Vancouver.

Hon. Mr. MACKENZIE: He is the engineer of the greater Vancouver water district.

The WITNESS: They reflect their three viewpoints. I shall read Mr. Cleveland's letter. It is dated the 16th of June, 1942:—

I have given some thought to the form entitled "Considerations for Evaluating Projects" for post-war construction projects, which accompanied your letter of May 28 last.

Forms of one kind or another are so numerous nowadays and some of them so difficult to interpret that it is refreshing to have one that seems so well adapted to bring out the essential information relative to almost any project likely to be submitted.

The primary object of the form is to enable the committee to sift from projects submitted those best suited to take up a possible slack in employment after hostilities have ceased. I presume that the information given in answer to the questions will require to be weighted in some way and a certain number of "marks" allowed for the apparent advantages or values in each factor such as, for instance, the amount of labour—skilled and unskilled—provided by each \$1,000 or other unit of total money expenditure. Then there will be placed opposite this total money expenditure certain values by way of direct or indirect revenues or contribution in other ways to the general welfare of the community arising from the completed project.

If, however, the provision of employment for labour is first in importance, it will be necessary in the evaluation to have as reliable estimates as possible of labour cost and of total cost.

And the old question arises as to how far machinery and equipment are to be employed in relation to dispensing with much common labour and in the reduction of time required for completion of the project and in the effect on total cost.

It appears that the form may be improved in this respect. The tabulation in item B. 13 leaves the impression that it is to be used only in connection with projects where funds are required beyond one fiscal year whereas no doubt it is intended and its importance demands that it should be filled for all projects. It might be made clear too that "Administration" item 13 (4) is to include legal and engineering costs unless they are specified elsewhere. It would also seem wise to modify B. 7 to 10 in a manner that would emphasize the recognition of the influence of machinery and equipment of labour, costs, and time of completion.

Assuming then that the question of labour and mechanical aids are well answered and the direct revenues are estimated the problem becomes one of acquiring information to permit the estimation of indirect revenues and the intangible values of the project.

Apparently, it is intended that the method of financing the projects will receive consideration after this selective process has been applied. I do not know what the conditions may be in other Provinces but would judge that as far as British Columbia is concerned many, if not most of the projects, will be dependent on grants-in-aid or some other form of "cheap" money.

If that condition or attitude applies to the rest of Canada then the filling of the forms will in general be a sort of process of hopefulness and the community "advantages" will be exaggerated.

I confess to a feeling that the appraisal of this aspect of the problem must rest not alone on the data presented by the applicant but perhaps will require the considered judgment of carefully chosen local sub-committees or other bodies.



If these latter assumptions are correct it would seem that items 1 to 6 of section "A" of the draft should bring out all the data desired from the applicant in that regard.

The next one is from Mr. Eric Cross, dated at Simcoe, Ontario, May 8, 1942:—

I wish to acknowledge your letter of the 6th inst. enclosing draft "Considerations for Evaluating Projects" which I have read with interest.

This memorandum seems to imply that a grant-in-aid system by the dominion government is being contemplated and that such a system will extend not only to provincial and municipal works program but possibly to programs where private financing is available. I do not know what is meant by the later category which is referred to in item 15.

It seems to me that a public works program must be divided into two distinct classes and that different methods of listing and planning must be developed for each class.

Class One would include dominion, provincial and municipal works which are necessary and justifiable, quite apart from the factor of providing work, and which can and would under ordinary circumstances be wholly financed and directed by the dominion, by the provinces or by the municipality, as the case might be. In this class would be many works which have been deferred for the reason that the dominion's priority in financing and in the labour market has been recognized since the war began. In this class would generally come such works as highways, county and municipal roads, bridges, streets, municipal sewage and water works, schools, parks, recreation centres, etc.

Class Two would cover works not coming within class One and which are not immediately necessary but are justifiable on the ground of their subsequent utility and in the meantime, provide employment in certain areas. I assume that it is within this later class of works that the grant-in-aid system would be placed in order to encourage such expenditures. It seems to me that your evaluation mingles the two classes although I agree there is a thin dividing line between the two. In planning, however, now, it seems to me that a separate procedure should be adopted with respect to each, and that first of all, the dominion, the provinces and the municipalities should be canvassed with reference to class One and the possible program under this class definitely listed and planned and timed.

I am sure you could get the co-operation of the provinces in the matter of timing such works so that the dominion, the provinces and municipalities projects would not over-lap in the same areas or in point of time. Once that program is completed I would then suggest that you make your plans with reference to class Two and that no types of work which had been submitted under class One would be available under class Two. If this course is not pursued I think you will find that both the provinces and the municipalities would endeavour to bring the works which properly belong in class One into class Two for the purpose of obtaining grant-in-aid.

I may say that I have had some experience in this process as Minister of Municipal Affairs and Public Welfare. I was also Chairman of the Ontario Municipal Board in 1935-7 which had control of all capital expenditures of Ontario municipalities and the province at that time was endeavouring to wind up unemployment works programs that had been proceeding during the previous two or three years. It became evident to me then that many works were begun purely by the incentive of grant-in-aid and which were not justifiable on any other ground and

secondly that many works commenced were wholly the responsibility of the municipalities but were brought in under the grant-in-aid system on the pretence of providing employment. Some of these projects were even in the self-liquidating category and yet grant-in-aid was obtained.

There are, of course, a good many objections to the grant-in-aid system being adopted under any circumstances but under our constitutional set-up it seems more or less inevitable, particularly to meet the problems of some of the western provinces and many, though not all, their municipalities.

I do think, however, that some of the abuse to which the policy is subject can be avoided if the two classes are distinguished and that the program in one class be explored and determined before the possibility of a second class is ever mentioned.

This in a general way is my first reaction to your memorandum and I shall indeed be pleased if they are in any way of a helpful character. If I can be of any further assistance please do not hesitate to write to me.

The third letter is from the city engineer, Stratford, Ontario, and is dated June 15, 1942:—

I presume that the questionnaire is set up to enable the committee to find out how valuable or urgent the work or what the probabilities are that the work will actually be commenced.

I would suggest that the work to be done should be listed under the following headings:

Construction of: sanitary sewers, storm sewers or drainage; pavements and roadways; walks; water mains; gas mains; electric lines; parks; sport and playground facilities; conservation and reforestation; bridges and subways; buildings; sewage plants; water plants; electric plants; gas plants and miscellaneous.

I further believe that this work could be redivided under six headings to arrive at the urgency of the work.

Col. A. Work that is urgently required and must be done within five years regardless of the length of the war.

Col. B. Work that is urgently required and must be done within ten years regardless of the length of the war.

Col. C. Work that is being held up until after the war.

Col. D. Work that the municipality would most probably do after the war to relieve unemployment.

Col. E. Work that the municipality would most probably do if receiving a grant in aid at approximately 50 per cent of the cost of the work.

Col. F. Work that would be done only under the most pressing urgency to relieve unemployment, e.g., no federal aid being granted for other than work, or work of a luxury type.

This grouping would, I believe, give a better actual picture to your committee of the work available and would be easier for the municipalities to interpret to you.

Municipal councils should be requested to commence planning work projects. An engineer may have much work in view but these works may not have council support so the possibility of the work being done might be remote. The changes of council from year to year are a further retardation to definite planning but can possibly not be avoided.

Before any planning, however, is possible, one must make some basic assumptions. The government should make these assumptions. Before planning an after-the-war program, I should like to know on what basis I am to plan.

1. Will the work be done with a maximum or a minimum of machinery? My opinion is that men will absolutely refuse to return to the old "make work" programs of depression years.

2. Will values of labour and material and machinery be greatly altered? To avoid making a guess on this it might be advisable to estimate costs on 1939 prices and to state labour in man-hours as well as in dollars.

A difficulty to which the government can not give the total answer is as follows:

Will this city have an increase or a decrease in population? Will taxes be easier to collect? Will real estate be expected to bear the burden of many expenditures in which it is not interested and how plentiful will money be?

After these questions are decided then a program can be planned. If I received a questionnaire now, several months would elapse before it could be answered.

I would suggest that the machinery wants of the municipalities be explored. This municipality could spend considerable in machinery if money were available. The difficulty in receiving authority at a later date to buy machinery when the public sees so many idle hands about can be easily recognized, but I believe that this course must be followed whether it is popular or unpopular. In other words, I would suggest that the government use machinery manufacturing as one method of relieving unemployment.

Some of the questions on the memorandum seem to be valueless to me, but I probably have not a sufficiently wide view of the problem. I would, however, say that in general the fewer the questions, the more complete the answers.

This completes my answer to your letter but if you are interested there are certain views which go beyond the questionnaire. I cannot resist this opportunity of expressing them.

I sincerely hope no effort is made to start another "make work" program where "hand labour" is used wastefully and where available machines are left idle. This has a most demoralizing effect on the men taking part, and gives them a wrong attitude on work, an attitude which spreads to others. The public has had its "fill" on this work and so have those who must institute it.

To my mind the object of work is to produce wealth which is goods or things one can use or which one can take delight in. These things should be produced in the easiest possible way so that plenty can be produced; so that we have actually more actual wealth.

If, as the sum total of goods increase in volume, the value of goods decreases in value in comparison with gold as in the past so that we then cannot in fact pay our debts by producing more goods, someone had better do something about it.

What we did in 1930-1937, it appears to me, was to put everybody to work at a handicap (hand instead of machine) so that less would be produced while attempting to keep everyone working, thus to prevent surplus goods from being less and less valuable in comparison with gold. We can accomplish the same thing next time by having our population doing nothing, making nothing in order to cut down the amount of surplus goods or we might "influence" the powers that be to do something about gold and the relation it bears to goods.

The mere thought of the return of 1930-1937 conditions makes one's hair stand on end because the word "influence" above has such a wide interpretation. It will have amongst those returning to their pre-war conditions.



Kindly start a little mild influence now so that "plenty of goods" can be produced that our debts may be paid and so that thereafter we can have that "abundant life".

I have considered omitting this last part of the letter but in spite of the fact that I would prefer to omit it I believe it a duty not to do so even if it has required courage.

If you desire further comments on the questionnaire I will be only too pleased to be of assistance if at all possible.

Those are the three letters that seem to me might present the varying opinions. In connection with the suggestion by Mr. Cross with regard to grants-in-aid that that class of work be kept separate from direct expenditures by the dominion and provincial and municipal authorities, as I said at the last meeting our subcommittee is dealing for the time being with these three, the dominion direct, provincial direct and municipal direct, leaving the study of the one problem of grants-in-aid to a later time. We have not had a chance to go into that much.

There was another point raised in one of the letters with regard to municipal financing. I was the only one of Dr. James' committee who was free at the time and I went before the association of mayors of municipalities and I suggested to them that they might consider the possibility, among other things, of asking the municipalities if they could set up a reserve for post-war construction work in their municipalities to meet those needs. I did not get a very favourable reply. The indication I got was that they were so limited in their taxation field that they did not know how they could raise more money without getting deeper into the hole. Shortly after that I saw in one of these monthly bulletins issued by one of the banks the suggestion that municipalities might do just this very thing. I do not know whether the banks had anything in mind in that respect, but on the agenda for the next meeting of our subcommittee we have the possibility of obtaining the service of somebody to make an explanation of that particular field.

Then, there is the question of the use of machinery in connection with works projects. In the United States I believe there has been quite a considerable study made of the extent to which labour takes part in the actual construction of work in the field and possibly further back into the actual production of the goods used on the job. Such a study in this country has not been made, but I believe there is a lot of information available on which somebody could make a study that would bring out the information as to how much labour, and possibly how much skilled labour of different classes, might be expected to be employed on different projects—that is bridges, roads, and any other class of projects. If we could get that information I should think that whatever organization is interested in provincial, municipal or even dominion affairs would find that rather valuable information to have, and I propose to take that up with the subcommittee at its next meeting.

The CHAIRMAN: You have heard Mr. Cameron's remarks in addition to those of the last meeting, and this meeting is now open for questions bearing in any way upon the evidence which Mr. Cameron has given to us.

*By Mr. Bertrand:*

Q. Following the remarks made by Mr. Cameron, there is one point that struck me: I do not know exactly how far the advisory committee on reconstruction of which Mr. Cameron is the chairman have gone in the study of what Mr. Cross has called the projects quite apart from producing work only. I wonder if Mr. Cameron could give us his opinion or make suggestions as to these publicly financed projects which we all have in view, not merely for producing employment but to provide for future development—producing

wealth for the well-being of the masses of the population. For instance, there is such a thing as conservation, reforestation, irrigation, control of floods, the harnessing of rivers for electric power. I wonder if the committee has given any thought to that. You spoke of municipal finance a moment ago; have you any suggestion you could make in the line of publicly financing those projects for producing wealth?—A. Well, Mr. Bertrand, I am afraid we have not gone into that feature of it yet. You will appreciate, of course, that questions of development and utilization of natural resources in Canada are being studied by the subcommittee under Professor Wallace of Queens university which deals broadly with the mining industry, the forestry industry, and you might say the rehabilitation of tracts of land that have gone back from what they originally were largely resulting, of course, in some of those floods which we discussed at the last meeting. Now, how these things are to be financed I would not be in a position to say. I think we would have to know just what the projects are. The first thing would be to know the extent of the project in the different classes, provincial and municipal direct, and as Mr. Cross says, see what is in the other field and see what is necessary to be done there.

*By Mr. Ross:*

Q. Could you give us your own view as to the development of our natural resources, other than that view which relates to our returned soldiers—your personal view as to the general development of our natural resources?—A. I am afraid I am not sufficiently an authority on that to venture even an opinion on it. My position, as you know, is chief engineer of the Department of Public Works, and I have for years been engaged in the actual construction industry—the construction projects undertaken. Other than in the case, for instance, of forestry where we have had an interest in the transportation of the forest products, I have not any knowledge of the development of forest products. That is a wide field in itself. The same is true with regard to mining. The work that our department has done has resulted in more than one case in the development of a mining region. I can instance one rather unusual situation. There was, prior to the building of the transcontinental through northern Ontario and Quebec, the situation that it was impossible to get out all the timber on the northern slope beyond the height of land—get it out economically. The transcontinental went across that region down on the northern slope. It intercepted the rivers that flow northerly, ultimately reaching Hudson Bay, and made available an outlet for our timber on those slopes. That is, the timber could be taken off the watershed and floated down to the railway and sawn or shipped out as logs or pulpwood. Some of the rivers were not in very good shape for bringing in supplies and materials to the lumber camps so we put in a little bridge on a river called the Harrieanaw about twenty years ago. We worked three years and produced a channel that was fine for the lumbermen. But the first thing we knew the prospector had gone in on that same route, into that region—Mr. McDonald knows the story very well, it is a very interesting one to me—and now there are railroads and highways in there and the mines were proven up by way of that navigational route. The railways went in there, the highways have been very widely built in through there and now the lumbering industry does not amount to a hill of beans, but the mining industry is simply tremendous. Incidentally, we have stopped spending any more money on that river, the revenue from the industry to the provincial government and the railroads is sufficient to look after all transportation interests. That is one illustration of how the work of our department has worked in over a period of a great many years with the development of the natural resources, and that is about the extent to which I am acquainted with the development of natural resources.

Apart from that matter, there is the matter of fisheries down east or on the west coast—not only on the west coast but in the great lakes and on the prairies. A great deal of wealth is produced there, and that is a source that cannot be mined out. We have kept in touch with the Fisheries Department to find out the amount of revenue not returned to the government directly, but how much employment or revenue go to the people interested in the fishing industry as a result of our construction of a series of breakwaters or the supplying of little haul-up engines to haul their boats out in the case of dangerous storms; but my knowledge with regard to natural resources does not go beyond those three fields of mining, forestry, and fishing.

*By Mr. Hill:*

Q. I noticed in one of the letters that one of the engineers referred to the fact that machinery would have to be used in the future because the labourers did not wish to go back to the methods of hand labour. My experience has been in engineering that in certain cases—a very small percentage—machinery really does work cheaper but the chief objective of machinery is to do the work rapidly and not cheaper; the unit cost is not reduced very much by the use of machinery over the old methods where a great number of labourers were employed. I can understand a municipality where that might be true where most of the boys are high school boys and do not wish to do hand labour, but there are districts in which hand labour on construction projects is just as acceptable to the men as hand labour at any other work such as is done by farmers in the district; they would just as soon do one type of hand labour as another. In such districts do you not think it would be advisable to do the work more slowly so that a large percentage of the money would go into wages rather than into machinery which, after all, does not employ very many people?—A. Your remark about the question of relative costs reminds me of an engineering friend of mine—I think he was vice-president of the Link Belt Engineering Company. He was a Canadian who had gone over there, and he said to me one day, talking about this question of cost, "So and so wanted me to design for him the cheapest method of handling coal". And Arthur Johnston, my friend, replied, "It will depend upon how much work you have to do, how much coal you have to handle; the old method of shovelling it into a bucket and hauling it up with a horse on the end of a rope cannot yet be beaten for cheapness, but you cannot handle 50,000 tons of coal a month that way." It is a matter of relationship to the amount of work to be done.

Q. What I said holds true. If speed is required for this work, all right, but in this reconstruction period we are thinking about, speed may not be the important thing. If you are outlining work to give employment to men, speed may not be required in that particular work, although it might be in a certain percentage of it?—A. There is another feature, Mr. Hill, that I do not think we can lose sight of, and that is that as a result of this war there will be so many men who have been mechanically trained, and they will be coming back from the army or they are getting mechanical training now in civil life that ordinarily they would not get, and I think the engineer's idea was that these men would want to run machines rather than to use a shovel.

Q. Your great problem there is that you could use up your money very fast without doing any good in relieving the situation?—A. I do not know that I agree with that. You can possibly get more done with the same amount of money.

Q. But you can spend an awful lot of money with a lot of machinery in a rapid time and not relieve your unemployed families?—A. We are building a small wharf somewhere down in Charlotte county. There would not be very much machinery employed on that.



Q. I agree with you there. That situation applies to municipalities where the boys are better educated and do not want to do much hand labour but would rather work on a machine. I think that is correct. Another point I have in mind is this: do you not think we should advocate types of work which will cause a good deal of labour and employ a good many family heads and which will be, not necessarily self-liquidating, but will create an asset. It seems to me a very simple matter to bring in a project for water control which can be shown of value by statistics on the destruction caused by floods. It might be that a reasonably accurate case can be made out over a period of years by taking the yearly destruction along a stream. I have in mind the flooding along the lower regions of the Saint John river which destroys a great deal of hay lands and puts debris over a great many acres of land which have been cleared and costs a lot of money. That can be controlled?—A. I thought they always looked upon that as a benefit.

Q. There is a certain amount of benefit, but there is also a great deal of destruction which probably more than offsets the benefit, because I do not agree that the flooding of these lands is the benefit they maintain. They would probably have a bigger crop of hay if the land was not flooded?—A. Are not conditions better as the result of the Grand Falls dam and the dam on the Matapedia?

Q. Yes. The other feature has to do with the control of this water where you have water power development on those streams. I think your committee will agree that it is going to equalize the run-off in the production of power, and the low run-off and the high run-off will be averaged off better and will be of great value and can be considered an asset and could be capitalized very easily by the committee. The same holds true with regard to your reforestation projects. We can take certain lands that are good producers of timber and will grow in a certain number of years timber of merchantable size that can be figured out and capitalized and you know whether it is worth the expenditure. That is a feature that can be definitely recommended as an asset, and the expenditure can be proved to be of value. Things like that, it seems to me, can be done easily?—A. At the last meeting I suggested that you take the watershed of the St. John river—it is a matter of general conservation of the whole watershed—

Q. Reforestation and storage?—A. —resulting from that study, and whatever is decided on as advisable—there would incidentally be construction works which might be listed with regard to that region's possibilities; but the main feature is the conservation of lands and forests and farm lands and that sort of thing on the watershed.

Q. A project can be proven either economically sound or unsound. However, I do think that too much consideration should not be given to the use of machinery in these works. There are lots of men who want to work at that type of work. We have the same condition in regard to patrolling the gravel and earth roads. It is true that these big machines will patrol a road and keep it smoother for automobile traffic with greater satisfaction to the automobile owner, but it is also true that it is far more expensive than the former method of employing teams in the country districts.

*By Mr. Quelch:*

Q. I think it is a very dangerous suggestion that we should provide jobs rather than increase the production of wealth, because the more rapidly you can produce wealth the higher becomes your standard of living. If you are going to try to find jobs and disregard the rate at which you can produce it may merely mean the distribution of poverty?—A. You are referring to the city engineer's letter?

Q. You cannot disregard the speed at which you produce wealth because the standard of living of the people is dependent upon the rate at which you can produce wealth.

Mr. McDONALD: Producing wealth for a few people—

Mr. QUELCH: When wealth is produced that wealth is distributed among the people as equitably as possible. I agree that under the present system you may have certain large contractors who by the use of machinery employ very little labour and make big profits and keep the profits, but that is a faulty method of distribution. The government by proper methods of taxation, can see that that wealth when it is acquired by the contractors is redistributed.

Mr. GERSHAW: I find it difficult to really get down to fundamentals in this committee. I assume that our special work is to prepare a report on post-war rehabilitation problems, and I assume some of the letters refer to problems that need to be considered right away. I also assume that we have nothing to do with those. However, eventually we will have to put in a report saying that such a project should be undertaken and such a project would absorb so much labour and would cost so much and would bring certain results. Of course, we do not know when the war is going to be over, and there are many difficulties in just being able to decide about these projects; but I was wondering whether, while Mr. Cameron is here, he could tell us what his own department might have in mind for purely dominion public works construction or purely dominion works. We could get in touch with the provinces and the municipalities and compile a list. Now, I wonder if that would be something that Mr. Cameron would be able to give us some information on so that we will at least know, if there is a post-war boom or a period of prosperity and later a post-war depression—we could say when that depression comes that the government needs certain construction work done.

The WITNESS: Doctor, your question ties in in a sense with a question that was asked at the last meeting and which I neglected to answer. A member asked: Are any of the dominion government departments doing anything about getting out plans for any works that might be financed after the war? I can best speak for my own department and say that we always had what you might say was a backlog of requests for works. Prior to the war, you know, we were fairly busy carrying out the projects assigned to us by parliament in the dry belt. After the war there was declared a public works holiday. We found that the public has taken that to heart and observed it to a surprising degree with regard to lack of pressure for any new work; that is most heartening. However, as there are men coming back from overseas from time to time and being discharged we felt it was advisable to be prepared, in case employment was not offered them, to have projects ready, and all our field men—we operate largely through the district engineers of the different provinces—have been instructed to line up all projects and get all the information about them that they can, and so far as circumstances allow to proceed with the preparation of plans and specifications and surveys and that sort of thing. We have not been able to do an awful lot about that because of rather unexpected things. There has been no increase in our staff whatever; on the other hand, quite a number of our younger engineers have enlisted and there have been some separations through death and ill health. Again, we have been carrying out quite a lot of work on the coasts for the Department of National Defence. They provide the funds and we design the work and carry it out. At present we have men assigned all the way from Newfoundland to the Yukon.

*By Mr. Castleden:*

Q. Do I understand that you do that work and let it out by contract?—

A. That is let out by contract.

The CHAIRMAN: Under your supervision?

The WITNESS: Yes. We make the original surveys, find out what the navy wants, make the plans and specifications, call for the tenders and award the contract and see that the work is carried out.

Mr. CASTLEDEN: There are no engineering costs as far as the contractors are concerned?

The WITNESS: No.

*By Mr. McNiven:*

Q. Would it be safe to give similar instructions to your district resident architects?—A. I think they have been issued.

Q. Would that produce a number of requests for post offices, etc.?—A. I am afraid it might.

Q. That is why I asked whether it would be safe.—A. Departmental public buildings have not been much of a revenue producer.

Mr. HILL: Many of the public buildings are not even an asset—a waste of money.

*By Mr. Macmillan:*

Q. Apart from the advance projects in the Public Works holiday to which you referred, you had to leave undone a great deal of work which otherwise would have been desirable. Will not that work be very extensive when the holiday ends? I refer to piers and works of that nature and repairs to buildings and so on, thinking of my own part of the country?—A. I would think there would be considerable deferred maintenance. We are trying to keep existing services going and we are questioning more than usually severely any expenditures put up; they have to be pretty well justified.

Q. Work undone will be completed when the war is over?—A. Yes, we have the list of all those projects. We keep a running list in shape, and a thing that is asked for we put on the list and develop it, as I say, as far as existing staff will permit.

*By Mr. McNiven:*

Q. Would Mr. Cameron be able to supply that list as suggested by Dr. Gershaw for the information of this committee?—A. I will produce a list of what we have requests for.

Q. You could even let your imagination go a bit and suggest something that might be favourably considered?—A. Along that line, I have talked it over with our district engineers when the opportunity offered and there is one feature I could explain to you. Several of us had a meeting in Toronto—Mr. MacNicol will know district engineer Wilson there—and there is the interior of Ontario, what is known as Muskoka, Rice Lake, the Lake of Bays, and that district lies very close to a very highly populated section of the United States who are accessible to it, and there has been in past years a great attraction to United States people to go up there and to practically take their families up and spend the summer there, and that district has brought in a large proportion of United States tourists' dollars—it is quite a sum. I think it has been said that highway No. 8 which passes through Hamilton on its way up to Callendar, the home of the Dionne quintuplets, is the most highly traversed automobile road certainly in Canada. Now, the conclusion we came to at the time of the meeting in Mr. Wilson's office was that that would be something that could be developed so far as our own department was concerned, by the improvement of channels and the construction of small wharves cheaply which would afford a good deal of attraction to the tourist industry there, and the district engineer, as opportunity offered, tried to size up what to his mind would form an additional attraction throughout that district. Another tourist district, for instance, is that known as the Lake of the Woods district, running between lake Superior, you might say, and Winnipeg. I give these as examples. So far as deep water navigation is concerned, that is in pretty good shape. Take, for instance, the Great Lakes:



there is no trouble up there from a navigation standpoint that cannot be readily looked after. At times it is necessary to do some maintenance, dredging, but the works in the harbours are now permanent works largely and won't need much change. We cannot, therefore, tell what increases in works there may be needed.

The CHAIRMAN: I take it partly from what you say and partly from my own little experience, that up to the present moment there is no single governmental authority—I mean, of course, the federal government—to explore and consider the whole question both of the development of natural resources from the standpoint of creating more wealth and increasing the standard of living, bringing about industrialization, and at the same time to take care of the need of employment that will arise very soon—at least, as soon as the war ends? From your experience particularly in connection with public works where you have been forced to give consideration to certain requests, do you think it would be a good thing for this committee to recommend the setting up of such an authority—more or less supreme—I do not mean supreme in authority but in consideration, to deal in a combined manner with the question of the need of employment and of bringing that need of employment into the development of our resources? That would benefit the country while giving employment. Would the setting up such an authority be a benefit, do you think?

The WITNESS: Do you mind if I dodge that question a little bit? It is a rather tough question. Now, I am in the Department of Public Works. We are a construction department. We have the Department of Agriculture dealing with questions concerning the development of agriculture; and there is the Department of Mines and Resources dealing with mines and forests, and though they have no revenue from those things yet it is there and they work in co-operation with the provinces, I understand, in the development of those resources. I should not forget the Department of Transport. It has a large field both of administration and construction. The Public Works Department is not essentially an administration department; it is practically a construction department. Other departments have developed construction branches within them in addition to their administration. Each one of those features, it has always struck me, is a real man's sized job. Public works, agriculture, transport, natural resources, each one. Now, can you conceive it possible that one body could run the whole thing? I cannot myself. I think I have heard it said—I am not sure whether it was said by Principal James at the second meeting—that over in Britain they tried to make them all gear, as it were, or run them all under one head and they could not get anywhere. It was too much for one man. I understand that they decided to have one man co-ordinate the whole thing—one minister co-ordinate the whole thing.

The CHAIRMAN: We have nothing of that kind in Canada?

The WITNESS: No. Other than that the cabinet is supposed to do the co-ordinating.

The CHAIRMAN: But there is no one co-ordinating agency at the moment and there is no agency yet set up except various ministries of labour and pensions to deal directly with the question of looking after men returning from the front or going out of war industry, is there?

The WITNESS: Oh, yes, I think the Department of Pensions and National Health.

The CHAIRMAN: Yes, those two departments.

The WITNESS: As far as the returned soldier is concerned, once a man is discharged from the army he ceases to be any concern of the Department of National Defence, and he immediately becomes the concern of the Department of Pensions and National Health.

The CHAIRMAN: They are not in a position to create employment?

The WITNESS: That machinery is already set up, Mr. Chairman, through the unemployment insurance office.

Mr. MATTHEWS: This brings up something that has been in my mind. We have now left about 20 minutes this morning and we have had a lot of meetings and have been given a lot of information. The gentlemen who have come before us have been very generous as regards the information they have given us. Don't you think that we should get down now to something more definite? I do not think the committee has ever mapped out any specific subjects to be studied, has it?

The CHAIRMAN: Not yet.

Mr. MATTHEWS: I was going to suggest that that be done.

The CHAIRMAN: That is one thing I had in mind when I asked that particular question.

Mr. MATTHEWS: I judged that to be so. If we could have submitted here a list of subjects that we should definitely study—take for example, the matter of irrigation or reforestation—that would be something to go on with. We have been told to-day that a committee of rotary has been studying some of these problems and also a committee of the C.M.A., and we know there are several others. Now, take the matter of reforestation. Could we not have a study committee composed of men who have had some experience along that line and who have some knowledge of the subject, take up that special work and try to co-ordinate the thoughts of these other committees that have already given a lot of consideration to these matters, so that eventually we will be in a position to compile a report on this subject, and that so far as this committee is concerned, completes the matter. Then let us take up another matter and study that. I think we should do that and do it very soon if we are to make a real contribution in this matter.

Mr. HILL: That is correct.

*By Mr. Quelch:*

Q. As an engineer, what would you say would be the main obstacle to reaching full employment after the war? Would you say that the main obstacle will be obtaining the necessary financing, or would it be the difficulty of finding worth-while projects?—A. I do not think there is any lack of opportunity for considerably more development in Canada. I feel quite confident of that. What the future will bring forth I do not know; but in the past ultimately somewhere along the line you ran up against the question of how much is this thing going to cost and where is this money going to come from? You get your scheme and you get your justification for it, and if it is justified you come up against the question of how much it is going to cost and whether it can be afforded.

Q. You said you do not know how much labour would be available. Do you mean by that that you were not aware how much labour would be required for the production and how much would be available for capital projects?—A. I think it is generally accepted that labour is really the thing that produces wealth. They produce the goods from the mining of the ore; from the steel works they produce the steel that goes into the bridge. If you want to take any particular job as a new job, and say how much of this is labour and how much is material, you do not go very far wrong when you say 40 per cent of the value is field labour and 60 per cent is value of materials brought to the job.

Mr. HILL: Speaking about machinery again to be used in producing wealth, machinery can produce material that cannot be used. Wheat has been produced by machinery to such an extent that it is of no value to us at present. I have a story that I might tell the committee that might be of some value with regard to wheat production. It relates to a family who lived in the east some twenty-two years ago, and went west and settled in Saskatchewan. They sold their farm to the neighbour next to me, to one of the cousins who is now a big farmer in the east, and they all went west. One of the members of that family was east last Christmas and he said that the old man and the sons produced wheat, they took up a lot of land and produced wheat with horses and machinery and they made money. The sons got the idea of producing on a big scale and they went in for combines and tractors and big machinery and they cultivated four times as much land as the old man did, but the past six years they have been borrowing to keep on producing. This man said: "We kept on; he produced one-third as much but he produced it from 15 to 20 cents a bushel cheaper with his horses than we could produce it with combines and other machines. The result is that after five years of low-priced wheat we have been borrowing money from the old man and he is still making money." I believe that is true. That shows that machinery can be overdone in producing things.

Mr. MacNICOL: I think we are more or less threshing the same straw at every meeting. Mr. Matthews presented a concrete suggestion. I too made other suggestions at previous meetings to the effect that after this war we have to provide large numbers of men with jobs immediately. Therefore, our first consideration should be the consideration of projects, government projects, that will provide these men at once with positions of some kind. This morning Mr. Cameron touched on a very vital part of that program—municipal work. I think we should approach any suggestion from the point of view as to whether work projects jobs would provide work at once or whether jobs would be more or less delayed. Now, the construction of buildings, which is an important part of the program, does not give jobs immediately to the same numbers that large public undertakings do. I think we will have to follow along lines suggested by Mr. Matthews: Take up some one subject and consider it definitely and dispose of it so that we will have something concrete to report along some individual line that would provide jobs. Mr. Matthews spoke of irrigation and reforestation; someone else mentioned public works. Now, I have been thinking of one riding as an example where public works can be carried on that will at once provide large numbers of jobs and provide those jobs in relation to the proportion of skilled and unskilled labour—the large number of the men coming back will be unskilled labour. What these men have learned during the war will help them of course, but it may not fit them to do specific technical jobs. Some of those men will be technicians. Consider one riding as an example in which certain kinds of jobs could be considered in the light of Mr. Matthew's suggestion. Take the riding of the chairman, for example. It has a very large area. It is filled with unlimited and incomparable resources, many more or less inaccessible to-day. Does it not strike you that the sensible thing to do would be to provide accessibility to those resources in the northern part of the chairman's riding. To the north of the Peace river is an area which is now being opened up; in the chairman's riding and in Peace river riding to the east both north and south of the river there are at present, perhaps about 10,000 settlers. The eastern end of Cariboo, the chairman's own riding now is unconnected with the west end of that riding by rail or road. It should be connected, should it not? That is important work; it is economically sound to provide that connection from the east side of the mountains to the west side. A vote was recently passed through the house to build a very necessary road from Prince Rupert to Cedarvale. From Cedarvale to the south the road is largely finished.



to Vancouver, on the way passing through Vanderhoof. A road runs north from Vanderhoof to Manson Creek. On the east of this road are two passes one of which is Pine Pass and the other is where the Peace river flows through the mountains.

I think if we start constructing special projects we might very well start with a project which would give consideration to what we may call ordinary labour, unskilled labour—a project to provide immediate opportunity to work. Such an undertaking would be a roadway through the mountains from Manson Creek to Fort St. John and on to Hines Creek and Peace river. Such a road would require a lot of unskilled labour and would give skilled labour work in the factories providing machinery, and also would provide the technicians with work. I believe we should have someone come here and tell us what such a project would cost. Maybe Mr. Cameron could tell us. I have no doubt he can, what would be the estimated cost of the roadway from Fort St. John through the mountains to connect with Manson Creek and finally to connect with Prince Rupert; and as an alternative from Dawson Creek via the Pine Pass to connect with the Manson Creek -Vanderhoof road. Suppose it cost \$10,000,000 to complete through the mountains both roads north and south of the Peace river to connect with the Manson Creek road to Vanderhoof, that would provide work almost immediately for 3,000 men, that is assuming roughly that \$3,000 would provide the material and pay for one worker per year. When war is over those men could be put to work immediately on such a project. Look at the economic results therefrom. Ten thousand people now have no direct connection with the sea, and you would provide connection with the sea. They have connection with the south, and connection with the sea would not interfere with traffic to the south. It would provide an outlet for the people who may settle in the north end of your riding, Mr. Chairman; it would never come to them while we are living unless it is done under a recommendation such as this for after-war rehabilitation. So let us start with one specific project. Mr. Matthews has suggested reforestation, and when we have finished with that one we could start on another one, irrigation and finish that question.

Now, Mr. Chairman, I am suggesting a road, perhaps a railway connection, from the east side of your own riding and the territory contiguous thereto north of the Peace river, from Hines Creek through Fort St. John and on to Manson Creek and to Prince Rupert. We should get the costs of that, the amount of labour it would provide, the amount of labour in the factory necessary to make the materials to be used in the construction of bridges and so forth and to put up the buildings that the men will reside in. We might consider such a project and then make a recommendation. The government would have something concrete before it: a roadway from Peace River via Fort St. John, Manson Creek and Vanderhoof. You know that route better than anyone else in this room, Mr. Chairman. That will be a specific job that in the aggregate will not cost anything, for it would be self-liquidating. The benefit obtained would be an outlet for the farmers in the north part of your riding and the riding of Peace River to the east.

The CHAIRMAN: I am not going to keep the committee now, but at the next meeting, with the permission of members of the committee, I should like to say a few words following up what Mr. MacNicol has said. What he has spoken of is not only the building of roads or the using of the materials that he has mentioned, it is the opening up of the last possible northwestern empire that this country has still undeveloped. I suggest the advisability of having some supreme authority that can give thought not only to the engineering possibility but to all of the possibilities that are contemplated in any particular development, including employment, which is essential. There is an empire in that north country which could take care of many many thousands of

returned men. I have hesitated to speak much about it because most of that country is in my own riding. I did not want anyone to feel that as chairman of this committee I was thinking only in terms of my own riding.

Mr. McNIVEN: You are thinking of the men who have established their homes there.

The CHAIRMAN: Oh, yes. There are unlimited settlement possibilities.

Mr. McNIVEN: It is not merely to give jobs.

The CHAIRMAN: No. In addition to the agricultural possibilities there is an estimated 600,000,000 tons of coal half of which is said to be semi-anthracite. In addition to the coal there is gold, and there is alleged to be—I have no positive knowledge of this—iron ore right alongside of the coal. I am not in a position to say whether that is true, but I just mention these things now. Development there would not only settle my constituency but it would provide settlement and employment for a large percentage of the people of Canada and would increase the population without any overcrowding. I should like to say a few words on that matter at our next meeting. I wish to convey the thanks of the committee to Mr. Cameron for appearing before us on two occasions. For myself, as one member of this committee, I have learned considerable from reading the evidence of the last meeting and from hearing the evidence which has been given this morning.

The committee adjourned to the call of the chair.

SESSION 1942  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

# RECONSTRUCTION AND RE-ESTABLISHMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

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No. 8

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TUESDAY, JUNE 30, 1942

STATEMENTS BY:

Mr. J. C. Turgeon, Chairman of the Committee  
Mr. Hector Authier, Member of the Committee

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942







## MINUTES OF PROCEEDINGS

TUESDAY, June 30, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.30 a.m. Mr. D. A. McNiven, on request of the Chairman, presided.

*The following members were present:—*Messrs. Authier, Bertrand (*Prescott*), Brunelle, Castleden, Eudes, Ferron, Gershaw, Hill, Jean, Macmillan, MacNicol, McDonald (*Pontiac*), McNiven, Quelch, Sanderson and Turgeon—16.

*In attendance was—*Mr. J. E. Mackay, Secretary to Advisory Committee on Reconstruction.

Mr. Turgeon moved that:—

Whereas the most immediate reconstruction problem confronting Canada to-day is the creation of employment for, and the settlement of, returned soldiers and workers from war industry, and

Whereas the proper development of our natural resources can provide both employment and settlement opportunities through irrigation, flood control, reforestation, the development of waterpower for industrial and other uses, the exploration of mineral and oil deposits, and the provision of transportation where required by settlers or by industry:

Therefore be it resolved that this Committee on Reconstruction and Re-establishment study the best means to bring about the proper utilization of the natural resources of Canada in such manner as will make it possible for the Government of Canada, in co-operation with provinces and municipalities, to avail itself of every opportunity to create employment for, and arrange the permanent and satisfactory settlement of, men and women discharged from our Armed Forces and from the Merchant Navy, and workers released from industry.

After some discussion Mr. Turgeon addressed the Committee on possible developments of natural resources in northern British Columbia and Alberta.

Mr. Macmillan, Chairman of the Steering Committee, stated he had been unable to hold a meeting of that Committee but would do so as soon as possible. He had, however, discussed with Mr. Turgeon the procedure to be followed by the Committee.

Mr. Authier was asked to make a presentation on the natural resources of northwestern Quebec, which he proceeded to do.

Mr. McNiven expressed the thanks of the Committee to Mr. Turgeon and Mr. Authier for their informative presentations.

Mr. MacNicol moved:—

That Mr. Turgeon's motion be referred to the Steering Committee for consideration and report; also that the notice of the next meeting should state the subject to be considered. Motion adopted.

Mr. Turgeon stated that Dr. Wallace would be available on Thursday next and it was agreed to hear him that day.

The Committee adjourned at 1.00 p.m., to meet again Thursday, July 2nd, at 11.30 a.m.

J. P. DOYLE,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

June 30, 1942.

The Select Committee on Reconstruction and Reestablishment met this day at 11.30 o'clock a.m. The Chairman, Mr. J. C. Turgeon, presided.

The CHAIRMAN: Gentlemen, we have a quorum. Just before the termination of our meeting last week Mr. John MacNicol spoke about the northern portions of the province of British Columbia and the province of Alberta and suggested that at this meeting I, as the member for Cariboo, should say something about the possibilities of that northern country in its relation to the general scheme of reconstruction. I took the liberty, in consultation with the chairman of the steering committee, to invite another member of this committee, Mr. Authier, to speak about the possibilities of his particular portion of the province of Quebec, again, of course, with relation to reconstruction and reestablishment.

Now, to bring the committee to grips with some of the concrete problems of the reconstruction task that has been assigned to us, I have decided to make a motion for the consideration of the committee. Whether that motion should be carried as it is or amended or not carried is, of course, a matter for this committee to decide, but I thought it would be wise to prepare, for the discussion of to-day, a definite motion rather than just a talk on various matters that might or might not be of interest although properly tied up with the objects of this particular Committee on Reconstruction and Reestablishment. Since I am going to make a motion, it would be proper for somebody else to be in the chair, and as the vice-chairman, Dr. Macmillan, is not in the room. I shall ask Mr. Donald McNiven of Regina to take the chair during our proceedings, or part at least of our proceedings this morning.

Mr. DONALD McNIVEN (Acting Chairman): Proceed, Mr. Turgeon.

Mr. TURGEON: Mr. Chairman, Mr. Authier and I will be talking of some of the possibilities that arise from the development of natural resources, and therefore I make the following motion:—

Whereas the most immediate reconstruction problem confronting Canada to-day is the creation of employment for, and the settlement of, returned soldiers and workers from war industry, and

Whereas the proper development of our natural resources can provide both employment and settlement opportunities through irrigation, flood control, reforestation, the development of water power for industrial and other uses, the exploration of mineral and oil deposits, and the provision of transportation where required by settlers or by industry:

Therefore be it resolved that this committee on reconstruction and reestablishment study the best means to bring about the proper utilization of the natural resources of Canada in such manner as will make it possible for the government of Canada, in co-operation with provinces and municipalities, to avail itself of every opportunity to create employment for, and arrange the permanent and satisfactory settlement of, men and women discharged from our armed forces and from the Merchant Navy, and workers released from industry.

Now, Mr. Chairman, purely as a preliminary may I say—

Mr. MACNICOL: Is the motion seconded?

The ACTING CHAIRMAN: I do not think the committee requires a seconder. In any event, if it did, would you second the motion?

Mr. MACNICOL: I would like to ask whether the steering committee considered the motion?

Mr. TURGEON: No. I directed the matter to the attention of the chairman of the steering committee and he tried to have a meeting of the steering committee prior to this meeting, but he was not successful in so doing. That is one reason why I am going to make the motion—as the basis for discussion to-day—and I shall be ready to withdraw it afterwards, if the committee wishes; but the steering committee has not discussed the motion.

Mr. MACNICOL: Mr. Chairman, I am quite in accord with the sense of the motion but to regularize our proceedings this matter should first have come before the steering committee and the steering committee should then have recommended this motion to the consideration or otherwise of this committee. I am quite in accord with giving consideration to specific matters with the object of getting somewhere on some specific subject; but I ask myself now whether the way we are proceeding is regular.

Mr. QUELCH: I feel exactly as Mr. MacNicol does. I think we are floundering badly in this committee. I understand that at a meeting of the Canadian Political Science Association Professor Plumptre said that we could not expect any leadership from this committee. They have good reason to take that stand from the way in which we have been operating. We had two statements from Dr. James, excellent statements, we should have had several meetings for the purpose of making a thorough analysis of those statements with Dr. James here to answer questions; after that we had Dr. Thompson, and as a result of his evidence we found that we could double the consumption of agricultural products; we had Mr. Cameron outline various projects: but the point is that we knew before the war that we could easily expand our consumption of agricultural products and we did not do it; we knew before the war that we needed and needed badly various national projects such as those which Mr. Turgeon is going to discuss, why did we not put them into operation? It was not because we did not need them; we knew we needed them; but we were told that as the result of the last war we had such a tremendous debt that we had to keep expenses down. Now, I suggest that if the last war left such a debt that we were not able to finance national projects, after this war the debt is going to be still greater so what is the good of discussing national projects unless we know how to finance them. Mr. Jean at one of the first meetings suggested that first of all we should decide where we are going and what is our objective; and I think that right from the start—and it is not too late even at this date—we should have adopted what we might call a military procedure. First of all let us decide what our objective is, let us decide in every detail what that objective should be; once we have decided what our objective should be let us decide what are the main obstacles which prevent us from reaching that objective. Then when we have decided what our main obstacles are we should decide how to overcome them. In that way we may get somewhere. But if this committee is going to deteriorate into a committee in which everybody starts talking about projects in their own constituency, I do not think we are going to get very far. I might talk at some length of the William Pierce water project, one of the largest irrigation schemes ever proposed in this country. It has been declared by engineers to be absolutely sound; it will cost \$105,000,000. But I do not think we can get anywhere by talk of that kind. We knew of these projects and we knew of them before the war; the reason they were not put into operation was that we were told we could not finance them. What is the use of talking unless we are given some assurance that these schemes can be financed? If we are going to deal with projects of this kind we might call

Mr. Ilsley, the Minister of Finance, before this committee and ask him to tell us whether the same financial policy we have to-day, a policy which states that no financial restrictions shall be allowed to impede our war effort, will be carried out—that is to say that no financial restrictions will be allowed to impede our reconstruction effort.

Mr. TURGEON: I disagree with Mr. Quelch in the suggestion he makes that this parliamentary committee should delay all action until it has been determined what kind of financial policy we are going to have when the war is over and that we should bring in the Minister of Finance—

Mr. QUELCH: I did not say that; all I suggested was that we should have an assurance that finances will be made available to deal with these projects. I say what is the use of discussing these things if we have not a chance of putting them into effect.

Mr. TURGEON: Mr. Ilsley may not be Minister of Finance when the war is over; but we are living in the days of reconstruction and we can secure from Mr. Ilsley plenty of good advice that might be useful to us but we could not get an assurance from him as to what will be the policy of the Dominion of Canada in respect to finance.

Mr. QUELCH: We will have the same deputy minister of finance, Dr. Clark. Liberals and Conservatives may come and go but the same deputy minister of finance and the same governor of the Bank of Canada will remain, and it is those two gentlemen who have the say with regard to our financial policy.

Mr. TURGEON: It is one of the objects of this committee, if it can be reached—we cannot reach it immediately—to decide what we as a parliamentary committee think is the proper course to follow—

Mr. QUELCH: What is the objective?

Mr. TURGEON: —and then to decide how we are going to secure the finances to reach that objective.

Mr. QUELCH: We have not decided what the objective is.

Mr. TURGEON: We cannot decide what the objective is simply by finding out what money we can secure; we have to go at it the other way around; first we have to find out where we wish to go and then to see whether we can get the money or not. That is another matter. We may have to make—I do not say we will—but we may have to make drastic representations or recommendations with respect to procuring money. That is beyond me, but as a member of the committee I say we might have to do that. However, I do think that even before we can talk of promises of money or the method of securing money, we must first decide where we wish to go in order to find out what sum of money will be required.

Now, as to whether or not this committee is floundering, let me say that every committee dealing with reconstruction to-day in any part of the world is floundering. We have thirty-five members on this committee, and I am inclined to think that we have thirty-five opinions on every matter that is presented to this committee for consideration.

There are valid grounds for the objection taken by Mr. MacNicol—though objection, I think, is too strong a term—to this particular motion which I have made purely as a basis for to-day's discussion. I notice that our vice-chairman, Dr. Macmillan, is here now. I did not see him a few moments ago when I asked Mr. McNiven to take the chair. The vice-chairman is also chairman of the steering committee, and we did try to have a meeting of the steering committee between our last meeting and this one. The week-end intervened and the meeting of the steering committee was not held. I have made this motion coupled with the suggestion that whether it pass or does not pass



is a matter immaterial, and I say that as the maker of the motion. I wanted to have some grounds for to-day's discussion. Now, before I go any further with the matter I intend to discuss with the permission of the committee, I should like to know whether objection to the manner in which this motion has been made is removed.

Mr. JEAN: Mr. Chairman, there seems to be a feeling in this committee that the government is going to do everything about reconstruction. That is not my feeling. I believe that if we study some of the projects which all of us have in mind we might find some way of creating employment by providing the initiative. If only we will show to the people that there is something to be done we will see some private individual starting some new business. That is one reason why a discussion of these projects is useful—the discussion exposes these various projects which are, in the end, the main object of our committee. I think it may be useful to study these projects and let the public know that there is something to be done in this country. If we do that we may find a lot of private energy that will create new employment and assist in restoration after the war.

Mr. GERSHAW: I note that the order of reference empowers this committee to report on specific feasible projects that will absorb unemployment during the demobilization period. I quite agree that never again will the people of this country submit to unemployment such as we had during the depression, with all its demoralizing effects, and I think we must proceed to put into shape specific projects that will accomplish the end of promoting employment.

I think we should consider these projects one at a time. At the last meeting I endeavoured to get from Mr. Cameron an idea of what his department might have in mind that would help provide employment to bridge any period of depression that might occur. So as one member of the committee I am quite willing to listen at this time to the representations which are to be made by Mr. Turgeon so that we may have at least one specific matter to study.

Mr. CASTLEDEN: In my opinion our terms of reference do not necessarily ask us to report on specific projects; I believe our duty is a larger one than that. We heard Dr. James give a splendid outline of many of the larger and broader aspects of the problem of reconstruction. I think Mr. Quelch was correct when he said that we should study our objectives and decide what we are to do. Dr. James outlined what we are trying to do. He said that we have to provide profitable employment for all our people. In using the natural resources of our country and using the machinery of production of our country and employing labour in conjunction with these things to distribute the maximum of goods and services for all our people we are moving in the right direction. Now, as regards this motion, I think we are all favourable to studying the means of properly utilizing our natural resources and machinery of production and distribution to get the goods and services in the hands of the people, and in that work providing profitable employment for as many people as we can. There are obstacles which are going to prevent the operation of what we would like to think of as the proper utilization of our natural resources. I am going to support the motion that we study the proper utilization of our natural resources. I am not going to oppose the carrying on of the study of this particular project for this reason that I believe that by studying this particular project we might find out some of the things which are stopping us. Also by studying this particular project we are going to see certain basic principles and aspects of the situation which are hindering us. For instance if there are financial obstacles I believe they will appear in our study of the development of these particular projects. I believe we should have, in a large way, a picture of the whole dominion—something in the nature of the U.S. Brookings Institute Reports, upon what the natural resources of Canada are, and let this committee have a

picture of Canada's natural resources, and of what we can provide in the way of good living for all the people of Canada. We may be startled by the wealth we possess and we may also be startled by some of the things which are preventing us from using our natural resources. One of the obstacles is that title to the ownership of a large portion of our natural resources is held by a few who do not wish to give up that title. That control is in the hands of a few. Title to a large portion of our natural resources have been handed over to certain people; those natural resources have been alienated from the people themselves so that the people cannot have the use of them. Therefore, I believe that if we study this problem and get the facts regarding even this one project in a particular area in British Columbia. If the full facts are given, we may find some of those obstacles which we have to face. I think the idea of taking this particular project is a good one; but I would object to too much of this shall we say provincialism, localism, or localization of particular problems being studied here. The purpose of this committee should be much broader. As the result of studying its small projects we may be given a picture in a small way of what we can expect to find in a large way across the whole of the dominion.

Mr. TURGEON: Mr. Chairman, I now feel that the way is open for me to proceed with the discussion, as the mover of this motion, and with the description of part—only part, of course—of what some of us think is available to Canada in the area spoken of by me comprising northern Alberta and northern British Columbia. Perhaps, at our last meeting it was not made clear that the invitation extended to me to discuss northern Alberta and northern British Columbia was not purely for the purpose of setting out any particular project, and I have not the faintest intention to-day of proposing to this committee any particular project, and I do not believe that Mr. Authier has either. What I intend to do to the best of my ability and in a very few minutes is to point out some of the reasons why there has not been, up to this date, a full and proper development of our natural resources and what, in some small measure, we may be able to do to right the wrongs and to overcome the difficulties that presented themselves to us during the long years before the war when we were not able to bring ordinary food and ordinary shelter to such a large percentage of our people. I noticed, for instance, in one of the newspapers last evening a despatch from Washington. The heading is: "To finance copper and other mines in Canada", and the item reads:—

In an effort to relieve a serious shortage of base metals in American wartime industries, the Reconstruction Finance Corporation has agreed to finance the development of marginal and submarginal copper, zinc, lead and graphite mines in Canada, it was learned here to-day.

Now, I think I shall be within the bounds of truth when I say that while the development of our natural resources since confederation has been wonderful in many ways, it has also led to a lack of balance, it has led to the concentration in certain classes of production and that very concentration has in itself stopped the development of certain portions of Canada.

Possibly that had better be my introduction to an approach to the consideration of the problems of the northern portions of British Columbia and Alberta. Mr. Sissons made the statement a few days ago—and I mention him because he is the member for the Peace River portion of that country—and a similar statement was made by Mr. MacNicol whom I shall mention because he has visited that country and has spoken of it in the House of Commons—there are in that area marvellous opportunities both for employment and for settlement. What I want to ask this committee is why Canada has not availed itself of these opportunities previously and whether we are going to avail ourselves of these opportunities when this war is over? I think with all due deference to those

who feel that the proper work of this committee is to deal with the larger and broader work of reconstruction, I, speaking purely as a member of the committee, feel that our first duty is to do everything we can to make certain that when our men and women are released from the army, the merchant navy and the war industries there is not going to be a recurrence of those conditions which existed in the years prior to the war.

I am anxious to see what might be called a new order. Long before I came to the House of Commons I made suggestions in connection with changes in our economic system which would lead, in my opinion, to greater social welfare; but that is not the immediate task of this committee in my view.

Now, in that northern portion of Alberta and British Columbia there is room for at least 50,000 settlers to make a living under proper circumstances, surrounded by the amenities of social welfare or perhaps I should say established on a foundation of social welfare and in an era of contentment rather than discontent. If that is so, that does point the way, at least, for consideration of a part of the problem of re-employment of men and women who will be in need of employment when this war is over.

I would like to bring to your attention one or two of the possibilities of that great country. It was first settled in a general way as the result of a reconstruction policy after the last war, and that is one of the reasons why I am going to discuss it to-day, and not because it happens to be my own country. The then government of Canada—and I am saying nothing of the government of that time; I am talking of institutions—the government of Canada made arrangements with returned soldier organizations for the settlement of that northern area, and while I can find no documentary evidence of it at all I am certain from my research and conversations that the returned soldiers were told that if they went up there in sufficient numbers they would not be a long distance from habitation or a long distance from markets for their products, because they would be given railway communication with the Pacific ocean in spite of some of the natural impediments in the way of mountains. That undertaking was not carried out and, therefore, we have had ever since that time a measure of discontent where there should have been contentment. And to show what we can do as a committee, in 1924 the then president of the Canadian National Railway told the people of that north country that when they produced 10,000,000 bushels of grain or its equivalent they would be provided with railway connection with the Pacific ocean. They scattered all over the country and went to work producing grain, and wheat particularly, in a country which is ideal for mixed farming, although it also produces marvellous grain. It is a country where the mixed farmer can live happily, provided he is not compelled to continue to live so far removed from his markets.

May I say this—I am now speaking of Mr. Sissons' district and not my own—that way back in 1888 a reverend priest at the mission up at Fort Chipewyan in northern Alberta won the world's prize for the production of wheat. That is a long time ago and I may say that those people in British Columbia—and for the moment I am not referring to Alberta—are hauling wheat over 100 miles to the railway, and that railway is a very long distance from Fort William and also a long distance from Vancouver, because that produce has to go 500 miles eastward and then it has to travel back westward again in order to reach Vancouver.

I have emphasized the farming opportunities in that country, not of wheat alone, but for mixed farming, and I now want to emphasize the importance of minerals. That country is rich in those base metals which the Canadian and United States government are so badly in need of to-day for the conduct of the war. Distance and lack of transportation have made it unprofitable to develop these resources and, therefore we have a very large development left in abeyance, if I may use that term. For example, north of Finley Forks on the Ingenika



river, years ago at least fifty men were employed in securing base metals from the ground. That operation was discontinued years ago because the cost of getting supplies to them and the cost of bringing their product out to the market made it impossible to operate that particular mine at a profit. There are right in the Peace River belt itself, in the British Columbia portion, 600,000,000 tons of coal half of which is semi anthracite. I had the privilege to-day of showing some assays from that coal area to Mr. Clarence Gillis, and he is a gentleman who knows coal, and he told me that the assays shows that coal to be excellent in quality. I shall not try to place on the record the enthusiasm he showed when he saw that assay. Another analysis of the general mining conditions proved to him, as a man who knows all about the hazards of coal mining, that the operation of coal mines in that particular area will be almost minus the elements of hazard which cause injury to workers and often loss of life.

Now, there are 600,000,000 tons of coal there which have never been touched, right in the ground, simply because of lack of population and of lack of outlet to markets. Alongside of that country the Peace river runs through a canyon twelve miles long and about 200 feet in width at the mouth—a canyon of granite walls in which the water drops 270 feet in twelve miles. It is estimated that there is a continuous all-year-round supply of power amounting to 150,000 horse power, and that potential horse power is in an area which is rich in all kinds of mineralization. There is gold—some people may say it is not worth taking out of the ground—but the gold is there and as well there is a large supply of all sorts of base metals.

It was the province of British Columbia which made possible the building of a railroad from the Atlantic to the Pacific, and the building of that road was part of the basic foundation of confederation itself. This was not made possible because of the presence of organized institutions; it was made possible because of the development of natural resources by the people themselves; because while confederation was under discussion the Cariboo gold rush of '58 took place, and during 1858, 1860 and 1862 thousands upon thousands of people rushed into the province of British Columbia which before that time was not even a Crown colony. I mention this fact to indicate what the development of natural resources, if properly regulated, can do. From that time the mainland of British Columbia became a habitable portion of the British empire and a few years later it was to become a part of Canadian confederation; but British Columbia insisted, as one of the terms of entry into confederation, that a railway should be built. To-day we have over 750,000 people living in British Columbia, some of them in the country which we are discussing, because of the development of natural resources and the building of a railroad.

To-day Canada is at war. To-morrow that northwestern country may be an outpost in the defence of Canada against Japan. I have taken the liberty of bringing here to-day a map of the world. I shall direct your attention to Siberia, Bering Strait, Alaska, and between Siberia and Alaska the strait is only forty-seven miles wide. Here again is the Yukon and here is northern Alberta and here is northern British Columbia. The air route from Chicago to the Orient if directed across this country we are discussing to-day is thousands of miles shorter than the air route which is now in operation from San Francisco to the Orient—literally thousands of miles shorter—and that is the country over which to-day Canadian and American bombers are flying and over which Canadian and American soldiers are being transported, and that is where our forces may soon be digging in for defence of this country if they do not take offensive action.

Now, that country is rich in all the resources that are required to bring one phase of our reconstruction problem to a proper solution; and that is why I am directing the attention of this committee to that particular country to-day. Looking at the map again, these red lines from Edmonton and

Vancouver are the air routes over which our soldiers are being flown steadily to meet the menace of the oncoming Japanese and below them, as they fly, are these natural resources which are crying for development—for proper development, and not for exploitation—I am using the term now in its bad sense—not for that type of exploitation which too largely has been allowed to prevail in our preparations for the development of our natural resources. Those resources are not crying for that type of exploitation, but they are crying for proper exploration and development and utilization under government supervision; they are crying for development in such a way as well permit this Canada of ours properly to look after her soldiers who will come from the army, the men and women who come from industries, and the men who come from our merchant navy, and all others who soon, we hope, will be thrown upon us—that may be too strong a term—thrown upon us for protection as regards social welfare and employment.

I have presented this motion; if the committee wishes to discuss it it can do so, or I can withdraw it—but the intention behind this motion is that the committee should concentrate its attention and its activities upon the whole question of development of our natural resources, keeping in mind the need of the proper and timely utilization of those natural resources to provide employment for those men and women who are going to require our consideration from now on and certainly when the war is over.

Now, Mr. Chairman, as I said at the beginning of my remarks, I took the liberty after discussing the matter with the chairman of the steering committee, to invite Mr. Authier to address the committee upon the natural resources of northern Quebec, having in mind the same class of need which I have emphasized in speaking of British Columbia. I thank you, gentlemen, for your attention.

The ACTING CHAIRMAN: Thank you Mr. Turgeon, very much.

Mr. MACMILLAN: Mr. Chairman, before we proceed I think I should make an explanation, as chairman of the steering committee. It was difficult to hold a meeting of the steering committee since our meeting on Thursday last, because like many other members of the committee, I had to be away over the weekend. I discussed the procedure with the chairman of this committee and he agreed that in the absence of a meeting of the steering committee that perhaps it would be the part of wisdom to proceed with matters growing out of Mr. Cameron's evidence which you will remember had to do with construction work and which involved the question of irrigation and such development. So we agreed that probably that would be the best procedure to adopt, and that is why we proceeded as we did to-day. I wish to share any blame that may come to the chairman for that decision. I shall endeavour to hold a meeting of the steering committee as soon as possible, but so many committees are meeting that it is sometimes difficult, as you will understand. Again, it is difficult for the steering committee to make decisions until we know definitely what is in the minds of the members of the committee, and we have learned this morning, I am sure, of certain objectives that are now in their minds. I was not here when the chairman made his motion, but I was sorry to hear Mr. Quelch put on the record a supposedly oracular statement of some irresponsible person with regard to the alleged futility of this committee. I do not think it is worth while putting comments of that nature on the record.

Mr. QUELCH: I would like to say that the statement was not made by any irresponsible person, but was made by a very responsible person in Toronto speaking as a member of the Canadian Political Science Association.

Mr. MACMILLAN: I do not care if he is a member of a dozen associations, that statement does show the modern tendency to discredit parliament and I resent having it put on the record. I hope no such statement will be put on the record in future.

The ACTING CHAIRMAN: Shall we hear from Mr. Authier now?

Mr. AUTHIER: Mr. Chairman, I thank you and the chairman of the steering committee for this invitation which permits me to appear before this committee and say a few words about the natural resources of northwestern Quebec. As you all know the province of Quebec is the largest province of Canada. I will not say it is the best because I might be opening the door for discussion, and I do not want to keep the committee very long. The Canada Year Book says that the province of Québec has a total area of 594,000 square miles, of which 75,000 square miles are fresh water. That indicates that many sections of the province of Quebec do not need irrigation, rather they need drainage, and that may suggest one of the useful works to be carried on to rehabilitate or ameliorate agriculture in that province. Now, of those 594,000 square miles the Hudson Bay basin drains nearly three-fifths. This map on the wall does not show all of the province. All that section north of the East Main river, was formerly known under the name of Ungava and was annexed to the province of Quebec a few years ago, which northern section, as far as we know, is just good presently for hunters, a few Indians and mineral prospectors. We hope that they will bring back some fine ores and that eventually we may have some paying mines there. There are also in that section, the former Ungava, a certain number of large rivers which suggest considerable waterpower, and we hope that mineral resources will justify the development of those waterpowers some day. For instance, the Belcher Islands in Hudson Bay are known to have immense deposits of iron ore. On some of these rivers flowing into James Bay from the eastern side there are wonderful waterpowers, and I think it would be possible to transmit electrical power even to the Belcher Islands.

I want to say a few words to the committee with regard to the northwestern part of what was formerly the old province of Quebec. As you see, it is about 100,000 square miles in extent, larger than the maritime provinces, but as it is somewhat farther north I would not dare to promise you that it will ever be developed to the extent that the maritime provinces are or will be developed in the future. However, there are some resources that are known in that section of the province of Quebec. Out of those 100,000 square miles of 64,000,000 acres of land, 10 per cent at least are fairly good agricultural lands. We are taught by the geographers of Canada that there is a clay belt south of James bay in northern Ontario and northern Quebec. It is mostly in northern Ontario—at least 75 per cent of that clay belt is in northern Ontario—but we must have something like 25 per cent of it in northwestern Quebec, and we may find here a few million acres of fairly good agricultural land. As a matter of fact, 25 per cent or 33 per cent of those agricultural lands are already occupied by settlers, and those in the Temiskaming country especially and along the transcontinental railway are rapidly becoming grown-up farmers. It takes a long time to make a farmer out of a settler, but it is not impossible. The whole of the St. Lawrence valley has been settled and has become a farming country by that process, and as we all know southern Ontario was developed in the same way. We are considering the same operation in northwestern Quebec to-day. There are left a few million acres of land, mainly in the Harricana river valley and west of the valley of the Nottaway river, certainly two or three million acres of good land to be taken up by settlers. I may be accused of being a provincialist because I spent several years of my life working for the provincial government of Quebec and later I spent a few years in the Quebec legislature. Believe me, Mr. Chairman, I do not want to be a stranger to anything that is happening in Canada, and when I am fostering the development of my district I am confident that I am working for the whole of Canada. If each of us is doing his share for his own township we will be able to build up a big country.



Now, I have mentioned the agricultural possibilities, but there are also forest areas. As a matter of fact, that district is covered with forests except for a few hundred thousand acres which are farmed, and there has been cut in that district since the opening up of those territories at least one billion feet of lumber and 10,000,000 cords of pulpwood. However, there were some very bad forest fires some 20 or 30 or 40 years ago which destroyed a very large quantity of our forest wealth in that district, but there is a new growth which is quite promising, and I have no doubt it will be possible to draw on that section of Quebec for at least some 30 to 50 million feet of lumber every year and 500,000 cords of pulpwood to supply the important pulp and paper industry of eastern Canada.

When I heard Mr. Turgeon speaking about the difficulties of his settlers, I thought about my own settlers who have had to meet similar difficulties. As you will see by a look at the map the National Transcontinental starts at Quebec and goes to Cochrane and then west to Winnipeg. Now, when we sell our forest products—they are mostly sold to Cornwall or Hawkesbury or some such points in Ontario—we have to ship them in a long round-about way, drawing some 300 miles east to come back 300 miles west. When the transcontinental railway was projected we were promised a branch line. That was about the time I went north. I lived there thirty years—and if you will allow me a personal reference I may say that I built the first house in the town of Amos, the chief town in that district now. That will be thirty years ago this year. At that time the National Transcontinental was under construction, and we had been promised that there would be a branch line from some point close to that clay belt section to Ottawa and Montreal. That project has never been realized, and now that a very large quantity of the timber in that district has been used I would not press for the construction of such a railroad. I may say, however, that if it were possible to bring into accord the Canadian Pacific and the Canadian National the distance to bridge is not very great—it is only 150 miles or something like that; but the Canadian Pacific and the Canadian National observe a principle not to enter each other's territory, so there is nobody to bridge the chasm, and we have suffered a great deal from that. However, this committee does not want to hear recriminations in that regard, and I do not wish to stress the matter.

As you see, we are in the Hudson Bay basin; the rivers flow from the height of land north to James Bay and we cannot take advantage of all the rivers to float logs to the railroad, so that some day if we want to develop the forest resources north of the railway there will have to be a branch line built to some point on lake Matagami where the logs from a large territory can be gathered and down to some point at the mouth of these rivers which run into James Bay a short distance from each other. The paper mills of the St. Lawrence valley and of southern Ontario are complaining that the resources of pulpwood are diminishing very rapidly so it may not be too early to consider the necessity of going further away and tapping new areas of our pulpwood resources. Let me say in passing that the pulpwood in that district is considered to be the best in the world. The black spruce is yielding more pulpwood per cord of wood than any other pulpwood in the world.

MR. CASTLEDEN: Could you give us any idea of what percentage of that area has been covered by timber leases and pulpwood rights?

MR. AUTHIER: Oh, there is only a small section of it north of the transcontinental railway. There are timber limits south of the transcontinental railway, and most of the territory south of the transcontinental railway is already under lease to pulp and paper manufacturers.

MR. CASTLEDEN: Are those rights held by one or two large paper companies or are they held by private individuals?

Mr. AUTHIER: Most of the timber leases belong now to the paper companies. At the start there were leases granted to several other people.

Mr. CASTLEDEN: Are those companies which hold the leases developing their resources?

Mr. AUTHIER: Oh, yes. They are operating. At the present time especially they are running to full capacity, but some of those pulp and paper companies find that their present reserves are becoming exhausted very fast, and I know as a fact that they are trying to get new leases further north. That is why I said that in the near future it may be expedient and necessary to consider the necessity of providing some form of transportation north of the transcontinental railway. The population of that district at present is about 110,000 or 120,000 people. When I went up north in 1912 there were only half a dozen parishes on the east shore of lake Temiskaming opposite Cobalt with a population of about 7,000 or 8,000 people. In the last thirty years we have brought into that district over 100,000 people. That is a large increase in population. Now, as to the position of the present settlement, it is between the 47th and the 49th parallel of latitude, and it is south of the southern boundary of Manitoba which is the 49th parallel. At present all the settlements are south of the 49th parallel with a couple of exceptions. There is not much difference in climate as far as the southern tip of James Bay. There is a meteorological observation post at Moosonee at the mouth of the Moose river, and I have studied the reports and found out that the climate during the summer there is not very different from what it is along the transcontinental railway. Sometimes our crops are damaged by frost, but we read in the newspapers that that also happens in other places which are open to agricultural development.

You all know about the mining development—which has been considerable in that district. The production of the mines this year will run to something like \$60,000,000, one-third of which is copper, zinc and other base metals and two-thirds is gold. There are other possibilities, of course. We can never tell in advance where our future gold mines are, but as the geological formation is the same in many sections of the district we still entertain hope that that district will be a great mining country for a long time.

Now, with regard to water power, these rivers flow from the height of land for a distance of some 300 miles to James Bay. The declivity is something like 1,700 feet on the Rupert, 1,500 feet on the Nottaway and 1,000 feet in the Harricana. I could not give you the exact possibilities of those rivers with regard to water power, but I think there should be over a million and a half horse power to be developed in that section of Canada.

Mr. McDONALD: Did you refer to the development south of that along the Ottawa river and the other rivers contiguous to the Ottawa—the Coulonge and Black river—did you refer to the southern parts?

Mr. AUTHIER: I may tell my excellent neighbour from Pontiac that I did not want to go too far into his territory and I did not study that section. Of course, on the upper reaches of the Ottawa river, which is a crooked river as you see on the map, having its headwaters somewhere in central Quebec and swinging this way so that its mouth is less than 200 miles away from its head—on the upper reaches of the Ottawa river there is certainly 400,000 horsepower to be developed of which 150,000, I think, are in use at present or will be in use pretty soon.

That is the district, Mr. Chairman, which northwestern Quebec has to put at the disposition of Canadians who still may be interested in the development of natural resources. We all belong to a race of pioneers, and as I told you a moment ago we have brought 100,000 people into that district in the last twenty-five years, and it is still possible to bring there at least three times that number of people. Eventually that district will have a population of 1,000,000

people. Of course, it is slow going in work of that nature, because it takes a few years to make real farmers out of your settlers, but I do think that a great many Canadians may find profitable living up there, and if we organize the district properly I also think that the returned soldiers—I know that several returned soldiers will come back to work in the mines or in the lumber camps of that district after the war is over—

Mr. JEAN: What were the conditions in that district before the war?

Mr. AUTHIER: Well, we had hard times after 1929.

Mr. JEAN: Was there some unemployment?

Mr. AUTHIER: Yes, there was unemployment, but the provincial government made a special effort to colonize in that district, to bring unemployed people from various provincial centres to that district. As a matter of fact, the population has doubled during the last ten years.

Mr. JEAN: And many of them could succeed—

Mr. AUTHIER: They had to be helped by the government. Of course, I confess I am a believer in government help for poor people, and after this committee has set the program of public works somewhat along the lines suggested by Dr. James I think it will be very important to find ways and means to bring the government to help in the restoration of the Canadian people after the war.

Mr. BRUNELLE: Were there any veterans in the last war who went into that district?

Mr. AUTHIER: Just a few. In 1918 that country was still so primitive that the veterans thought they had better go west or remain in the older sections of Quebec and Ontario.

Mr. BRUNELLE: Could you tell us how the few who went there made out?

Mr. AUTHIER: Oh, well, some of them succeeded and some did not; they are just like other settlers. At that time governmental organization to help the settlers was not as developed as it became later. That is why I have mentioned especially that I am a believer in government help in such matters; it is impossible to rely upon individuals as was done in the past. Times are changing and we must change our ideas.

The ACTING CHAIRMAN: Gentlemen, I am sure we are all very grateful to Mr. Turgeon and Mr. Authier for the very informative and interesting discussion which they have led this morning. Their presentations and the discussion have established two things: one, that Canada is a very rich country, possessed of valuable resources many thousands of miles apart; two, that there is a fund of information available in the membership of this committee combined with an ability to present it in a very interesting and informative manner.

When Dr. James discussed the problem of reconstruction, he did so on a threefold basis as I recall it: first, on an international basis; second, on an international basis combined with domestic problems; and third, on a domestic basis, and at the same time Mr. Turgeon in his motion has sensed the will and the desire of this committee to confine the discussion to a concrete basis and by this resolution has confined our future discussions or indicated the desire to confine our future discussions to the development of a domestic problem, and the more we understand the domestic problem, the resources of our own country and our ability to develop them, and the need for their development then will we better understand our ability to contribute to the settlement of international problems both of this continent and worldwide.

Now, gentlemen, what is your pleasure with regard to the motion?

Mr. MACNICOL: May I ask Mr. Turgeon one question: He spoke of coal deposits, was he referring to the Groundhog?



Mr. TURGEON: No, Hudson Hope. The Groundhog is farther to the northwest. I was dealing with that at Hudson Hope because it is close to everything. It is only fifty miles from Fort St. John which is the fountain head, if I may use that term, of the Alaska highway. There are only seventy-five miles from Findlay Forks, and if the United States military authorities built that railway north from Prince George which they are discussing and surveying at the moment that railway will go through Findlay Forks which is only seventy-five miles from this huge deposit of coal. The Groundhog will be farther northwest and would be reached later on.

Mr. MACNICOL: Now, Mr. Chairman, we are all out of order, and we have to get back to a discussion of individual subjects. Mr. Turgeon spoke very well on the part of the province he comes from and Mr. Authier took us into northern Quebec. We are going backward and forward without getting down to anything specific and without deciding a single point. I move that the matter be referred to the steering committee and that the steering committee select the order in which each subject is to be discussed, and I move that the next notice to the members of the committee should carry on it the subject to be discussed so that members can be prepared to discuss whatever is coming up.

Mr. TURGEON: What you mean is that this particular motion of mine be referred to the steering committee?

Mr. MACNICOL: Yes, because you will want more time on that subject than you had this morning.

Mr. CASTLEDEN: Does this resolution limit the discussion in this committee to this matter, or does it state in the resolution that this committee should undertake a discussion of the proper development of our natural resources?

Mr. TURGEON: That is the sense of the motion.

Mr. CASTLEDEN: It was not intended in any way to limit the discussion of the committee?

The ACTING CHAIRMAN: Not to limit the scope of the reference—not by any means—it was in order to accommodate the sittings of the committee to the divergent views expressed this morning by Mr. MacNicol and Mr. Quelch and to narrow the discussion down to one particular phase of the reference. Now, Mr. MacNicol has moved that the resolution presented by Mr. Turgeon be referred to the steering committee for consideration and subsequent action; is that the sense of the committee?

Mr. MACNICOL: Yes.

Mr. CASTLEDEN: With regard to the 600,000,000 tons of coal that Mr. Turgeon spoke about, does Mr. Turgeon know whether that is covered by lease?

Mr. TURGEON: At the moment I am not sure whether it all is, a good deal of it is; some of it is leased by private individuals living in the district, not all by big companies. I am not sure if the big companies have any of it at all. Some of it belongs to the Crown.

Mr. CASTLEDEN: Is whatever is being held being developed?

Mr. TURGEON: At the moment it is being developed. For instance, some of it was used last winter, and I hope will be used this winter, in the airport at Fort St. John, and possibly in the airport at Fort Nelson. That will depend upon our ability to get it there. Some of it is being used in the general district of

Fort St. John and Dawson Creek just about sixty miles south of Fort St. John on the south side of the river. It has been held back, not because somebody has control of it and is holding it back, but purely because of lack of transportation, making it too costly for anybody to get it to the market.

Mr. CASTLEDEN: You do not know whether there are limiting clauses in the lease?

Mr. TURGEON: I am making inquiries in the province of British Columbia covering that and I hope to have that full information for the next time we discuss it.

The committee adjourned to meet Thursday, July 2, at 11.30 o'clock a.m.







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SESSION 1942  
( HOUSE OF COMMONS )

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SPECIAL COMMITTEE

ON

**RECONSTRUCTION AND RE-ESTABLISHMENT**

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

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THURSDAY, JULY 2, 1942

WITNESS:

Dr. R. C. Wallace, Principal of Queen's University, and Chairman of the Subcommittee on Development and Conservation of Resources, of the Advisory Committee on Reconstruction.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942







## MINUTES OF PROCEEDINGS

THURSDAY, July 2, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Authier, Bertrand (*Prescott*), Castleden, Eudes, Gershaw, Gillis, Jean, Macmillan, MacNicol, McDonald (*Pontiac*), McNiven, Martin, Matthews, Sanderson, Stirling, Turgeon and Tustin—17.

*In attendance were:—*

Mr. J. E. Mackay, Secretary to Advisory Committee on Reconstruction; and

Dr. L. C. Marsh, Research Adviser, Advisory Committee on Reconstruction.

Dr. R. C. Wallace, Principal, Queen's University, Kingston, and Chairman of the Subcommittee on Development and Conservation of Resources, was called, examined, and retired.

Answers to inquiries by Mr. McNiven respecting subsidiary industries in the West, and by Mr. Quelch as to foreign and home markets and balance of trade, were deferred until Dr. Wallace again appears before the Committee on Thursday, July 9.

The Committee adjourned at 1.00 o'clock p.m., to meet again at the call of the Chair.

J. P. DOYLE,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

JULY 2, 1942.

The Select Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock a.m. The Chairman, Mr. J. G. Turgeon, presided.

The CHAIRMAN: Gentlemen, we have with us to-day Dr. Wallace. He is so well known to us that no word of introduction is necessary from me. As some of our witnesses have done, Dr. Wallace will break his submission into four or five phases and will be subject to questioning after each part is finished. I shall ask you kindly to listen to Dr. Wallace until he has finished the first part of his presentation and then you may ask your questions. Proceed, doctor.

Dr. R. C. WALLACE, Chairman of the Subcommittee on Development and Conservation Resources, called.

The WITNESS: Mr. Chairman and gentlemen, I have no written brief to present so that what I shall say will be rather informal, and it may be somewhat easier for that reason to discuss the subject by way of questions.

The first consideration which I think might be presented is a general one. The committee on reconstruction felt that one of its phases of concern was the whole question of Canadian resources and the way in which it may be possible to make them available to meet some of the problems that will arise after this war. It is a large field; and one of the resources, agriculture, covers so much territory and has problems so specifically its own that it was thought advisable to place that subject with a special subcommittee. What I have to say, therefore, has no relation except incidentally, to agriculture, but deals rather with the other stable resources of Canada: forestry, mining, power, fisheries, wild life, and the recreational facilities of our country. These can probably more naturally be grouped together. Now, there are two phases of the problem as we see it: one has to deal with the immediate post-war situation of providing productive employment as far as possible for men released from the forces or from industry or otherwise at the end of the war. That is the short-term purpose in connection with our thinking.

The second point, so far as resources are concerned, has to do with a long-term policy—the question of the better conservation and utilization of our Canadian resources. One cannot expect in a few years that anything that may be done there will have immediate results and consequently the results may not affect greatly the employment of people immediately following the war; on the other hand, it is hoped that the two will integrate sufficiently to make possible, one, the employment of men on a short-term period dealing with each development, and particularly with the conservation of resources and, two, the employment of a considerable corps of men continually on the conservation and wise utilization of our resources—particularly the conservation of our resources.

It is realized, I think, by all of us that in the period of development, which has been a rapid one, that Canada has undergone in its natural resources, utilization has not always and indeed has frequently not been a wise utilization. It has had the purpose of immediate development and has not necessarily considered greatly the utilization on a long-term basis.



There is one further word to say about this particular aspect of the situation, and it is this, that from the standpoint of conservation there are some resources that are not conservable: the resources of the mines, including all fuel resources, including the coal, tar sands, oil and gas, are not conservable; once used they cannot be used again. So that the question of conservation does not enter in the same sense into that type of resources. On the other hand, the other type of resources of which I speak—forestry, power, fisheries, and wild life, are all of the same kind and may be considered in the same manner as the farmer looks at the soil; they should be possible of utilization year in and year out into the indefinite future if they are developed in the right way; and that is where conservation policies enter more directly.

Now, the committee in looking at the whole picture was attempting to see how, first, there can be a utilization of men on a considerable scale for the development of resources which may be more greatly needed in the future than they are to-day; and, secondly, probably more definitely on the longer policies of conservation which may be needed for the protection and maintaining of resources upon a yearly crop basis into the indefinite future.

I think, Mr. Chairman, that covers simply the introductory first point before I enter into any detail in connection with resources, and if there are any questions perhaps I had better stop for a moment.

The CHAIRMAN: Possibly it would be better if you gave us the first feature, after which we would have question time.

Mr. CASTLEDEN: There is a question I should like to ask Dr. Wallace and it is this: have you made any study or have you come to any conclusion as to why it was that the development of Canada's resources to date, as you mentioned, has not been a wise development with a view to the long range view in conservation? I think, perhaps, the most glaring example would be the timber resources of Canada.

✓ The WITNESS: I think that the obvious answer to that question—and it does not completely answer the question I know—is that we have been concerned with private utilization for private purposes primarily, and, secondly, only with the public need and public interest in resources as such. Now, that is not a complete answer by any means, but I think that is part of the answer at least. May I put it another way: the terms of leasehold have not always been such as to encourage, on the part of private lease holders, conservation policies which will be put into effect by themselves. We may come back to that later.

Mr. GERSHAW: May I ask Dr. Wallace which class of resources can be conserved and which cannot? For instance, in which class would ore and natural gas come?

The WITNESS: I stated that they can be retained in the ground and not used, but once they are used they cannot be used again. In other words, there is a definite, specific amount which is not renewable within ordinary time of human consideration and, secondly, once used it cannot be used again. On the other hand, those resources can be used with greater conservation than they sometimes have been. It is, for instance, possible to get out the oil from Turner Valley without getting nearly as much as would be got out under other methods of conservation which are now being adopted in that particular area.

Mr. MACNICOL: As a matter of fact, in Turner Valley is the policy not along the line of not taking out all the oil at once? Their field is so limited. Have they not organized their field to operate it for as many years as they can?

The WITNESS: Yes. Without going into detail with regard to these resources, had it been possible at the beginning to operate Turner Valley as an area for a wise conservation it could have been done more satisfactorily than was done at the beginning where each company went in into its own acreage

and naturally wanted to get its own oil out; but what has been done over past years has been to get the wisest possible method of obtaining the oil through the least expenditure of gas out of that area.

Mr. QUELCH: I wonder if Dr. Wallace would agree that our objective should not be looked upon so much as one of providing full employment but rather that we should as rapidly as possible reach optimum production of our resources in order that that production can be made available to the people so as to raise the general standard of living? If one looks upon the objective merely as being full employment there is always the tendency to establish work merely for the sake of work, and we all know what the consequence of that has been. We put men to work with wheelbarrows and shovels whereas that work could have been accomplished more rapidly by the use of machinery. Would you agree with that?

The WITNESS: I am not sure that the two alternatives are really alternatives in the strictest sense of the word. Our committee has been looking at this picture naturally from the standpoint of employment, because that is the problem that arises as a post-war problem, so that our angle of approach is employment. We, as human beings, are our resources, after all, in any country and we are productive and valuable to the extent that we are productively employed in the kind of work to which we are suited. Naturally one would not advise a type of employment that is unproductive, and in the sense of providing employment one assumes, as far as possible, productive employment. One would hope that in accomplishing that one is at the same time accomplishing, as far as possible, the optimum production of our resources. So, I am not sure that the two are necessarily separate problems, but I would like to emphasize the fact that we are necessarily confronted with an employment problem, we think, and consequently are looking at the problem from the standpoint of the employment of people.

Mr. MACNICOL: Mr. Chairman, Dr. Wallace has been the first witness we have had here who, in my judgment, has touched on the primary problem of this committee or, rather, the primary problem that this committee has to deal with immediately following the war, and that is employment. I liked the way the doctor approached his subject with regard to short-term immediate employment, and then followed it up with long-term employment; because the immediate business after the war will be to provide thousands of men who are not technicians, who are not mechanics, who have not trades, with the ordinary run of labour job; and I believe Dr. Wallace has touched upon the way in which I would like to see the matter approached. In that regard I would like to ask a number of questions. The greatest amount of labour that can be used immediately is that amount of labour that can be put on building roads—there is rough labour, technical labour, and behind them come the men back in the factories. There is a vast number who can be put on building roads. Dr. Wallace spoke of resources and, therefore, in my judgment, following your suggestion, the means of approaching the development of those resources should be provided, and the way to do that is to provide roads, and in doing that you are providing a large number of men with jobs. I am in hearty accord with that, because that is our first problem. We have to deal with the large number of men who are not technicians.

In looking over that problem, doctor, have you or your committee considered northern New Brunswick as a field—I will take each one by itself—as a field for building roads to areas that do not at present have roads into their natural resources? That is a largely unsettled country but it contains a lot of splendid resources. The same thing applies to northern Quebec. Lower Quebec is well roaded, but if you go up to the new part of Quebec, east of James bay, there is no such thing as a road after you get a mile or so away from the odd settlements on the shore. Northern Manitoba is a little better off, but there again once you pass Dauphin the roads of northern Manitoba are not anything like



the roads which we have down in this section of the country; and in my opinion if roads were built there would be a large settlement in through there. I have been through a good deal of that area myself and I know that there is no way to get into that country. The same condition applies to northern Saskatchewan and to northern Alberta. Someone said at a previous meeting—and I agree with the statement—that northern Alberta and northern British Columbia are areas in which a large number of men can be put to work immediately because of the fact that the areas themselves are virgin for settlement. Our chairman at our last meeting spoke about northern British Columbia, and I assume we shall hear more from him on that subject. In the northern portions of British Columbia there are many valleys that surpass for productivity anything found in Switzerland, and there are wonderful opportunities for settlement, but you cannot get into those districts. I believe there is a road there, the Turgeon road, called after our chairman. That road was commencing to enter a fertile country for settlement, and I hope that road will be carried right through.

Northern Alberta, north of the Peace river, is undoubtedly the last large area that is possible for land settlement, but again it is unroaded. I think it is a shocking outrage that during the past thirty years farmers living as far as 100 miles north of the Peace river have to come down over most indifferent roads; they have to haul their grain down for 100 miles or more and they have difficulty getting to the odd road which leads to settlements. So that in the area north of the Peace river there is, in my judgment, a golden opportunity for putting thousands of men to work preceding settlement, providing roads for the incoming settlers—roads such as were promised to those who are there now but were never built.

Therefore I say that Dr. Wallace has touched upon a concrete point that we should concentrate upon—the providing of thousands of jobs immediately after the war. I would like the doctor to say what they have found in looking over those areas.

Mr. MATTHEWS: I will make the suggestion that we had better postpone our questions until Dr. Wallace has finished his submission. Our time is passing and we may not have time to hear him complete his submission.

The CHAIRMAN: I did not mean to say that Dr. Wallace's introduction would be subject to questioning, but naturally the members of the committee have a perfect right to take whatever occasion they like to stop the witness and ask him questions. I would prefer Dr. Wallace to deal with his first subject before stopping for questioning. However, Dr. Wallace might take time to answer Mr. MacNicol before proceeding with his first phase.

The WITNESS: I think the answer to Mr. MacNicol's question may come in in the part that I wish to submit now, because there is a reference to his particular question in what I have to say. If Mr. MacNicol will permit me I shall carry that on just a minute longer.

The first resource that we have given our thought to in the committee is forestry, for the reason that we feel that there is a greater possibility for the use of men and a greater need for conservation in forestry than in any other of the natural resources of Canada. I might at the outset explain the method of procedure that they think it advisable to adopt.

Take the case of forestry. We invite the ministers or the deputy ministers of the dominion and the provinces, the deans of schools of forestry, representatives of pulp and paper companies and the timber logging interests, and all bodies such as the Canadian Forestry Association and the various protective organizations which are established across Canada in forestry to sit in at a conference together. In that way we make it possible for the dominion and the provinces, for industry and organization of a conservation type to talk to each other about the problems confronting them, and we make the contact that is necessary,



absolutely necessary, in a field of this kind, that field in which we are engaged, where the resources—except for the northwest territory—are in provincial hands and the province has the responsibility in respect of any move that may be suggested. Therefore, one has to proceed naturally by the consultation method and by no other method as far as we can see. We have done that with regard to forestry and in that way have obtained a fairly good picture of what those who are especially connected with forestry from the administrative and industrial standpoint think about the situation to-day. Forestry, as it so happens, is a resource which gives a balance of trade to Canada of great importance; there is a balance of \$350,000,000 of trade as far as forestry is concerned—that was at the beginning of the war. That is \$350,000,000 on the right side of trade and it helps greatly in the general balance of Canadian trade. About one-third of the total area of Canada is forest and about 58 per cent of the area of the provinces is forest, so we are dealing with an extraordinarily widespread resource. Contrary to the general feeling that the way to deal with worn out forestry areas is by replanting, there is a general feeling on the part of forestry men who know the situation that the greater part of the problem can be faced by looking after the young growth in territories that have been cut or burned, rather than by replanting. It is true that replanting is needed in some areas, but it is an expensive process; but silvaculture, or the handling of areas in the right way, according to the best forestry practice, will bring back by natural growth the depletion that takes place either through industrial use or forest fires. It is calculated that if there was a growth of 14 cubic feet of timber in each acre in our forestry territory that would look after all the depletion of our Canadian forests to-day whether by fire or by industry, and 14 cubic feet per acre is not a large annual growth. That gives reason for the opinion of forestry men that we can do the greater part of this job by care of our forests rather than by replanting. It is true, of course, that there are areas, and considerable areas, where replanting is needed. These are areas more or less in the agricultural territory where the soil has become depleted and where the only way to bring back our resources is through forestry, but these are limited areas, comparatively speaking.

Mr. MacNicol has had to go out, but I may say that one of the problems that faces forestry is greater assistance in this resource by the governments in Canada. Other resources, mining particularly, have had roads built or other structures made possible to help out the industry, but forestry has had very little done in the way of construction, except what the dominion department, more or less from scientific and administrative standpoints, and the provincial departments, have been able to do.

Forestry depends on its trade, a large part of which is outside of this continent. It is true that the pulp and paper trade is mainly upon this continent, but the lumber trade is mainly outside of this continent; and whatever the situation may be after the war with regard to trade—and we have not yet entered into that complicated problem—it will be quite clear that only by the least expensive and most efficient methods of production and processing will we be able to maintain the markets which we should maintain. That may be very difficult because of the fact that the Baltic states will come back as will Russia and they will naturally claim a very considerable share of the British market again; but in any event what is needed is first-class efficiency in development. While we have not suggested the machinery to be set up in this matter, apart from the closest co-operation between industry and the government—the provincial government and the federal government—it is fairly clear that two things are needed in forestry: one is public works and roads extending back into the leases so that the best possible region of cutting can be carried out rather than the taking of an area in a swath, so to speak. We should have roads available so that the cutting can be done according to the best forestry practices and that calls for roads extending back through the available areas.

The second thing that is needed is a corps of young men trained to do the work of productive forestry, silviculture, and utilization of timber. Those two things are important. Not only are roads needed but dams are needed in the navigable waters for logging purposes and also for power; but public works in a general way are needed looking to the future forestry as a cropable resource in Canada for all time; that must naturally be shared by federal and provincial responsibility. Secondly there is the matter of training a corps of young men who will come back from the war, and that can be begun very soon now because many of them are back—a corps of young men specially trained as they were in the west during the depression period—in order to make available a group of men who can be used for the purpose of developing efficient forestry practice in the hands of the men in the provinces and in the dominion who are capable of training those men to do that work. There is no better way in outdoor employment that a group of men can be used for a period of years—for a short period of years—men who have come back from the pressure of the war—than in that kind of work, not under stern discipline, but under the type of training that will make them most efficient for this work. .

It is possible, we know now, to train a very considerable corps of such young men; it has been suggested that 10,000 men can be trained almost at the beginning, and they can probably train a larger number later throughout the areas that will especially need this training.

In order to get the information that is needed, we communicated with the ministers of the provinces and asked them to outline the areas especially available which can be used now industrially in each of their provinces and to tell us what they feel are needed in those areas from the standpoint of utilization and conservation and also to indicate the method of training which they would be willing to adopt in the provinces for a group of young men. We want to get that information from the ministers so that there will be available soon definite, concrete areas in each province, not away behind the back of beyond where the future is the only thing that is of interest, but right practically available for utilization, and the particular policies that may be needed to put them on a sound cropable basis—the corps of men that can be used and the way in which they should be trained. Because we feel that probably before the war is over—at least on a smaller scale—this should be set afoot so that when the war is over and a large number of men are made available we shall have the practice and experience to know how best to put these men to this particular service without any loss of time and without an undue expenditure of money.

I think, Mr. Chairman, that probably covers that phase of the situation.

The CHAIRMAN: Are there any questions relating to forestry which was the subject Dr. Wallace has just dealt with. I will ask you to please confine your questions to what he has dealt with.

Mr. QUELCH: What I have to say has to do with forestry and to other resources. I was wondering what guide you have as to the extent and the rate at which, for instance, the lumber industry, or forestry, should be developed. I have in mind that in the United States some years ago a very important survey, known as the national survey of the potential productive capacity of the country, was carried out, and that survey showed two things: what the production of the country could be; secondly, what production would be required in order to give the people of the country a high standard of living. Having obtained that double information they were then in a position to know what industries or resources should be developed to satisfy the needs of the people. Unless we have some guide of that kind I cannot see what you have to indicate to what extent you should develop your resources in so far as forestry is concerned and in so far as other things are concerned. You do not want to expand your production on any one line unless you know there is a demand for it. That



applies to your exports and to the imports that are required. Would Dr. Wallace agree that we really do need at the present time a national survey to determine those things—first of all, what the production should be, and secondly, what the standard of living of the people should be if production were made available?

The WITNESS: I think, Mr. Chairman, that is a very pertinent question, and the matter has been taken up. One phase of it has to be considered as soon as possible. The knowledge of our resources and forestry is very limited as yet. A quick way of getting a thoroughly good knowledge now is by an aeroplane survey. We feel that not only in connection with forestry but also in connection with minerals and probably some other resources there can be developed a large corps of men and machines very well trained for aerial photography at the earliest possible moment when those men are released. That corps of men would be extremely well trained, and it is urged that as quickly as possible accurate surveys be made of forestry and indeed of other resources by aeroplane survey. There is a means now of tabulating the timber by means of aeroplane surveys that is remarkably accurate; it is said to be more accurate than the old time method used in the days when the men went through the bush in the winter. The method is quick and that is an important factor. It is generally agreed by all concerned that we have not adequate forestry information as yet.

Now, the second point is the optimum extent of production of a resource. We have hesitated to do anything there as yet because of the vagueness of the market following the war—the external markets. However, we are asking our industrial corporations, who are interested in forestry, to give us their judgment on this matter. There is an organization down in the maritimes that includes Nova Scotia and New Brunswick—an organization of lumbermen who are much concerned about the whole question of marketing in a general way, and they are looking into that picture. Other co-operative organizations are doing so too. We do hope, in answer to Mr. Quelch's question, that we will have somewhat better knowledge of this rather vague picture than we have at the present time. We will know to a large extent what Canada needs in rehousing, rebuilding and in other ways. That information will be available in time for us, but the problem of markets outside is somewhat more difficult and the factors are still vague. We do not yet know what the conditions may be with regard to outside marketing, and we have not, frankly, tackled that question yet.

Mr. QUELCH: In as far as internal marketing is concerned, would you agree there should be a survey made to find out how much lumber would be required to give the people of this country decent houses, not merely within the limits of the limited housing plan, but in order to make available houses for all the people?

The WITNESS: That is in process; that will be done. At least, that is a practical and somewhat definite program; the other is much more indefinite, and one must realize that the greater part of the market has not been the Canadian market but has been outside of Canada.

The CHAIRMAN: Are there any further questions?

Mr. McNIVEN: In your recommendations, doctor, will you recommend reforestation of these areas that are contiguous to existing systems of transportation or existing means of transportation?

The WITNESS: The problem of reforestation has come up mostly in connection with soil-eroded and water-eroded lands which are no longer available for agriculture and where forestry would be the only way to use those lands. There has been remarkably little suggestion of reforestation in the areas that are directly forest areas as yet. Now, in a communication from the minister in British Columbia we got a detailed statement of the areas in British Columbia



to which practical work can be applied immediately—that is the east coast of Vancouver Island. There is a large area that is capable of using quite a number of thousands of men. He does refer to a certain amount of reforestation in that area, but I think I should emphasize again that fact that our forestry experts—I do not claim to be one—are very clear in their mind that the natural way is nature's way. Natural growth, if given a chance by good silviculture methods, will provide for us continuous forests in Canada.

**THE CHAIRMAN:** Are there any other subjects dealing with this matter?

**MR. McDONALD:** I would like to ask a question with regard to forestry particularly in Quebec. Is consideration being given to the depletion of the forests especially with regard to the pulpwood industry, by those who are interested in the matter? What is the lifetime of the present preserve of forest?

**THE WITNESS:** It is considered that there is ample reserve for the pulp and paper industry in the forests of Canada, but it is definitely stated to be the case that the cutting is on a much too excessive scale in the narrowed-in areas available to the mills. In other words, it is not sound forestry practice and it will not be until we have better communication into other areas. In other words, if there were some machinery set up whereby that kind of transportation could be made available then the companies themselves, in their own self-interest, would conserve by the right kind of cutting, and they are served by excellent foresters, well trained foresters, and they have their own protective association. In the matter of conservation, while the government has the final responsibility—the governments, the people as a whole—it has been found to be the case that if private corporations have a long enough leasehold, subject to fulfilling definite requirements, on a large area they will see to it that they are themselves the best conservationists. That goes without saying; that is only sound common sense. May I refer to another industry, trapping. Several of the provinces have gone over to the plan of giving a trap line to a trapper—they give an area to the trapper himself alone which nobody may transgress so long as that trapper maintains the fur in that area, and that trapper becomes a conservationist right away. If, on the other hand, someone else may cross his traplines he kills out the young animals because he will not be back again himself.

Even in fisheries, which have been very little in private hands, in Canada, as you know, it is somewhat remarkable that the two areas of good conservation in our fisheries are the oyster beds in New Brunswick where the areas have been leased out to private corporations to develop the oysters with the assistance of the scientific work of the Fisheries Board of Canada; and there are private fishing camps where business men have certain territory and they themselves have proved to be very sound conservationists. At the same time, there is in this matter of conservation a combined responsibility of government, on the one hand, in setting out right conditions that have to be maintained, and, secondly, the corporations with a long enough leasehold to make it worth their while to be sound conservationists in their own best interest.

**MR. AUTHIER:** Have you received a report from the province of Quebec?

**THE WITNESS:** We have from a member of our own committee, Mr. Montpetit, received a very good report on the relationship of forestry to agriculture and to fishing, and perhaps I should say a word on that subject. While we are not responsible for suggestions with regard to agriculture, forestry is a resource which does not stand alone, and in a large part of the country men are fishermen and foresters and quite frequently agriculturalists and foresters; they get their living from both interests. That has not been satisfactory. Squatters have gone in on forest reserves and the companies that hold the reserve have felt annoyed that there should be that trespass. On the other hand, there are many areas in Canada that are of the marginal type from an

agricultural standpoint, where the people cannot live on agriculture alone but can live on agriculture and forestry combined—they live from the forests and the soil.

A very interesting experiment has been tried out down in Gaspé. They have established an area where the colonists who live there have the right to cut according to the size of their family in a reserve which is a communal reserve which is handled by the forestry department of the province. The timber is cut and is marketed co-operatively by the whole body, and in the few years in which that system has been in existence the people have increased their yield from \$25,000 to \$75,000 by lumber cut by those families in that area. In other words they have seen the need to conserve both the forests and the soil in both of which the people have a stake, and between the two they are able to make a much better living than they did before. But this has been done under government auspices, controlled by government foresters, and the actual marketing has been done by a co-operative organization of the people themselves. The same thing applies in a lesser degree to the fishermen down on that coast. The same relationship exists between fishing and forestry. This kind of communal reserve for agriculturalists in the outposts—families of pioneers who may under the right kind of silviculture conditions cut timber and have some organization to market their produce for them on a larger scale than they could do individually, may be a solution to part of our problem with regard to the pioneer type of life in Canada. At any rate, that is working out in Quebec; it seems to be suited to that particular area.

I thought I would mention that because one of our great problems in our committee is that of regional development. We have the definite feeling that our resources do not stand alone, and that in many areas we will have to deal with regions from the standpoint of all the resources together and not from the standpoint of any one resource alone. The sound type of organization will be an organization for particular regions for the development of the whole area from the standpoint of its resources, but balanced development of all the resources together. As the best illustration on the continent and one from which we can learn a great deal, there is the Tennessee Valley authority which on a power development program on the Tennessee river mainly in order to prevent flooding of the Ohio and Mississippi rivers, have established the remarkably strong scientific unit developing all the resources of that particular territory. It is an object lesson to all of us on this continent. It has been done, of course, with very considerable capital investment by the government of the United States, but it is a good illustration of regional development and has stimulated farming and research in the resources of the country, through the abundant waterpower which has been made available.

Mr. CASTLEDEN: I was interested in your statement with regard to granting corporations long-term leases and your opinion that that would be a possible way of developing good conservationists. I was wondering whether in the light of what has happened in Canada, you would agree that our development of this idea of granting leases to corporations has been successful. In the first place, I think we have failed to provide our people with proper houses which would be, it seems to me, the first objective of a country with forest resources such as we possess. We have developed tremendous export markets in all parts of the world, and the foreign trade which we have developed, as you have said, has helped out our balances; but I studied for some time what had been done in Sweden, and I think there is a great lesson to be learned from what they have done. They discovered that their forest reserves were being depleted under the old leasing system, and for the past thirty years they have carried out a plan of gradually taking hold of these leased areas and setting up government corps to look after the forestation to undertake, through government control, the development of their forest resources. I believe they have been more



successful than any other country. Has not reforestation to prevent flooding in the United States been largely the result of government conservation camp work in those fields?

The WITNESS: I think, Mr. Chairman, that Sweden is an excellent example of what can be done in forestry, but I am always in somewhat of a difficulty to determine this matter of control. Either you have complete government operation or you have complete private operation, and those are the two main points. Now, when you come in between, the more government conditions you lay down for the operation of a property held by private owners the nearer you are coming to government operation, and I think sometimes the two meet or come very close together. What I was thinking about was this: a long enough lease to justify a company for making capital expenditures in his operation in the right way which will not be done unless he sees fairly far ahead into the future. On the other hand you may have rigid conditions with regard to that operation which would justify the government, if those conditions are not fulfilled, in discontinuing the lease. Now it seems to me that that is a combination of the two, the government and private initiative. You can use people as excellent conservationists if they see the value of being conservationists, but like anything else the personal urge must be there. That is, it has to be advantageous to them before it is advantageous to people at large. We are amenable primarily to what helps us first rather than by what helps our neighbour. I think the wise procedure is to have the right kind of conditions set down in the best forestry practice and insisted on, and at the same time have a long enough lease to justify the expending of capital. It is usually the smaller corporation with the small tenure who finds it difficult to accept the best type of conservation practice. I am not arguing for the large corporations, but I am trying to make the point that I think is most important.

Mr. MATTHEWS: You spoke of nature's process in reforestation. I presume you had in mind areas that are reseeding themselves and the necessity for having those areas protected and conserved?

The WITNESS: That is the point.

Mr. MATTHEWS: And also to what extent did you have in mind the matter of what we might call artificial planting in large areas?

The WITNESS: That is reforestation. When I spoke about reforestation I referred to artificial planting.

Mr. MATTHEWS: That is what you had in mind?

The WITNESS: Yes.

The CHAIRMAN: Dr. Wallace will now go to another phase of his presentation.

The WITNESS: Mr. Chairman, we have dealt although not quite so fully, with mining and the problem of our mineral resources. We have had a very representative conference of the mining people and the deputy ministers of the provinces concerned with mining, of mining people representing all the phases of our mineral industry, and out of that conference two or three things stand out rather clearly. They are important and they are very serious. Mining is likely to be in a very difficult situation when the war is over. As far as gold and the base metals are concerned, practically no properties are coming up to the production stage to-day. The development that has taken place and the yield of these properties already had got to the production stage before the war broke out, almost entirely. On the other hand, a number of companies are going out of business. In the last two years, according to the report of one of our ablest mining men in Canada, of the gold mines, by the end of this year, including those that he feels sure will go out, fifty-six will have gone out of business since 1939, representing a loss of 12,625 tons, and the total tonnage in gold mining is about 60,000 tons. So I say that there is a very serious situation both with regard to our precious metals and our other metals as well.



That is a double difficulty in that it takes a long time to develop a property to production. It does not come overnight. It is doubly difficult because there are not the prospectors in the field to-day; they have little incentive to go out in the field; and we are facing the problem here which cannot be met immediately following the war unless we begin to meet it now: that is to spend money and in some way to find properties to make it possible for private capital to embark on development of them and to make it possible for the prospector to find his business reasonably profitable so that he will go out in the field. All these things are not happening to-day, not one of them; and there is undoubtedly a bleak picture as far as mining is concerned in Canada for the future. It is true that some of the largest companies in base metals will continue for several years—Noranda and Flin Flon and one or two others, the larger ones that we have—but no new companies are coming into production and no new gold properties are coming into production because there is no money going into gold to-day. That is the problem in the main with which our group wrestled in connection with mining. Mining is a very important industry; it produced about \$560,000,000 worth of materials in Canada; it is one of the large essential raw industries of Canada. Now, part of the problem it would seem is the method of royalty taxation of mines. While there is no criticism of what may be done in the war period because of the essential needs of the war, that method if continued in peace, will make it impossible to get the men to put money into grubstakes for prospectors and also into taking part in the development of the mines themselves. We have asked the Canadian Institute of Mining and Metallurgy, which is a very able organization representing all the mining men in Canada, to give a great deal of thought to the whole question of royalties and to present to us a carefully thought out constructive memorandum on the whole question of royalties. There are royalties to-day to the extent of the value of a dollar for each ton of ore; they are very high royalties—at least such royalties are quoted at the present time. The difficulty about ore is this, that with a royalty as much as that or a high royalty you put out of the possibility of mining a large body of rock that with slightly lower costs of mining would be ore. If they are out, they are likely to be out for all time, because a mine is developed in such a way that it is not easy to get that kind of thing out afterward. In other words, there is a dead loss in resources unless you can bring your costs down to the lowest possible basis. So it would seem advisable—it would seem so to us at the moment—that governments should consider mining in the light of the future, in the light of the total resources of Canada or spread the values in income that governments may obtain over a longer period of time. It may also be necessary—we are simply discussing these matters, and I am making no proposals here at the moment because our committee is not prepared yet to make proposals—but it may also be necessary to have some of the raw materials or metals with a bonus in value for a period of years until a mine gets on its feet, and then go down to the regular market price. It certainly will be necessary to have arrangements whereby prospectors can be assisted and bonused in as far as possible in their findings. Now, as regards technical training for a forestry and prospector corps, the assistance that the government have already made by order in council or sustenance—so much per month for returned men—will help out greatly in developing such a corps for training purposes. After that, governments will, I think, undoubtedly be prepared to assist them in the field by training them further. There still is needed that incentive which the prospector needs whereby he may hope to turn over at a reasonable figure the finds that he makes, and that might best possibly be done by bonusing finds on the part of the government. In any event, we are to receive a memorandum on the whole question of prospectors, carefully thought out by the prospectors' association themselves, and no doubt some such suggestions will come to us in that memorandum. We are

dealing with a vital and serious question as far as our mining situation in Canada is concerned. Mining occupies about 120,000 men directly and, of course, a very much larger number in an indirect way. I could not estimate the number at all. Those are some of the features that have come up in the discussion concerning mining. I have gone over them hastily.

Mr. GILLIS: What about the coal mining industry? Have you gone into that?

The WITNESS: We had the question of the coal mining industry before us as well, and it depends upon the districts one is concerned with. We are using about 46,000,000 tons of coal in Canada of which only about 25,000,000 tons are produced in Canada this year—20,000,000 tons at least come from outside. I am only using approximate figures, but about half our coal is produced in Canada and half is brought in from outside. In the eastern area, in order to obtain markets when the war is over, there will need undoubtedly to be assistance given for transporting the coal to the markets. In that connection, one of the best things that could happen in Canada would be a large base metal industry in iron and smelting, and if it is possible to develop the steep rock iron properties which are under negotiation at the present time west of Port Arthur and carry the ore down the lakes to lower Quebec we could use some of the Labrador ores as well and the power that is so abundant in Quebec, and one could find a market for a considerable part of the coal in Nova Scotia as well. There is need for developing base metal industries on a much larger scale. That is one of the fundamental things in employment. There is a better hope for iron now than there has been for some time, and if one can develop that large body the natural place to take it would be lower down in the St. Lawrence where one can gather together in those areas a good coal supply.

As far as the west is concerned, it is a seasonal question there, and like other things in the west it depends upon subsidiary industries being developed on the basis of the coal itself.

Now, we have gone a long way in chemical industries in Canada. The great development of our power in the last ten years—and it has been a remarkable development has been largely because of the chemical and metallurgical industries and pulp and paper. We have undoubtedly great possibilities for research in those fields. I feel, as far as coal in the west is concerned, we must develop subsidiary industries dependent upon the coal. If there is a possibility of success in so doing they could do it.

I should mention as a scientist that I think we have to depend upon the brains of our scientists in connection with the resources of Canada. We can take a chapter from the story of Russia in the last fifteen years with regard to the way Russia has developed her north country in Siberia. That development is most amazing, and it was as the result of the ability of scientists used as a government corps. We are a long way behind in Canada as far as our north country is concerned, but what they could do could be done here. Apparently Russia used the same method in war as well although we did not know anything about that, but they certainly were doing it in peace time, and we knew about that. They were using their chemists and their metallurgists and their foresters to develop that great country of northern Siberia in the most amazing way. I think we have to use the brains of our scientists on this problem of the development of our natural resources. There are many new things that are coming in the days to come, and they will come through our plying our brains to find the way. Until that is possible, in the west, as far as I can see, there will always be the problem of a somewhat limited market for coal and a rather seasonal type of distribution. On the other hand,



I will say this about Alberta: nowhere else in Canada is there such a good adjustment between water power and coal as there is there; there is a remarkably good balance and equilibrium at the present time.

Mr. McNIVEN: Could you suggest some subsidiary industries that might be developed in the west?

Mr. GILLIS: Before we leave the question of mining, Dr. Wallace, in opening his discussion, stated there were certain resources that could not be conserved and he listed mining as one of them. Now, that is true to some extent, but I think the greatest indictment against private enterprise in Canada is the wastefulness that has been displayed in the utilization of our coal resources particularly. We are in this position in Canada, as far as coal is concerned, that we have two large monopolies, one east and one west, which practically own or control all of the coal mines of eastern and western Canada—Canadian Collieries and Canadian Iron, Steel and Coal. I say that at least 50 per cent of the resources of the coal in eastern Canada were wasted because of the policy of exploitation. The tendency has been to get the coal in the easiest way possible and as a result openings are made where they can tap the coal the quickest. Profits are uppermost in their minds in many businesses. I know how coal has been mined during the past thirty years and I say 50 per cent of the coal was left in the ground. The sad part of the picture as I see it—I do not care whether you develop a metal mine or a coal mine—is that immediately a community springs up. You develop power plants and utilities of all descriptions. The mine runs for ten or fifteen years and then folds up and you have all this wealth built up over a period of years around that community and it is just wasted. There has been no attempt on the part of operators to date to conserve and utilize the resources as they should have been; it is all wasted. I can give you example after example in the province I come from. By virtue of the fact that the mines are in the hands of private enterprise, communities have been wiped out of existence years before they should have been, a lot of the available coal has been left in the ground, very good seams of coal, and because of lack of markets that has been the story in the past. I have known of communities where capital was raised in the community and the people were prepared to operate in order to extend the life of the community. Dominion Iron and Steel had the lease, and nothing could be done about it, and as a result relief came into that particular community. I read the summing up of that situation by Dr. Wallace himself, I think, about two years ago, going into that very thoroughly, and I think myself that this statement that long term leases in the hands of private enterprise tends to make the holders good conservationists does not hold true as far as the coal mining industry is concerned. I think we will have to do in Canada, as far as the coal industry is concerned, what they did in Britain recently—take it over. We are facing a crisis, a shortage of fuel, mines are lying idle, and I think myself it is time that someone got busy and tried to do something about it. I think that is the solution of the metal industry. I think it will apply to base metals as well as coal. Those resources all belong to the people. Fifty per cent of those resources are wasted by virtue of the fact that profit is the only thing in the minds of those who hold the leases. The leases were granted years and years ago when conditions were certainly not as they are to-day. If there is to be any solution to this matter, I think the government will have to take that industry over and utilize it in the interest of the people. It is one of the greatest indictments against private enterprise in Canada to-day.

The WITNESS: I cannot say much. I will say this, however, that private industry can only operate in so far as wide conservation policies determined by governments are put into effect by the companies. That is the part that the public has a responsibility for and is likely to see to. I am not in a position to speak about the coal mining industry in Nova Scotia because I do not know



it, but I would be prepared to say this, that in the metal mining industry the practice is not to depart from conservation policy; it is too difficult to get ore out again if you do not take out everything possible are you are doing it. So that in the metal mining industry, as far as conditions make it possible, they are operating down to the limit of the ore that they can take out on the basis of costs. There is no doubt about it with gold and in the other metals properties. I cannot speak about coal. Certainly in the west I know that the methods of exploitation have not by any means been the best as far as coal is concerned.

The CHAIRMAN: Mr. McNiven, you had something in mind a moment ago.

Mr. McNIVEN: Mr. Chairman, this is an important question so far as the west is concerned, and I recognize in Dr. Wallace an authority on that question inasmuch as he has spent considerable time in western Canada, but as our time is short I wonder if it would be convenient for Dr. Wallace to attend another sitting of our committee. I think I can speak for the other members of the committee when I say that we have thoroughly enjoyed his presentation and we recognize him as an authority and we would welcome him with us on another occasion.

The WITNESS: I shall be glad to come. It will give me time to think about that question; it is a difficult one.

Mr. QUELCH: I wonder if Dr. Wallace would be prepared to expand on the question of markets, especially in relation to the question of home markets and export markets and trade exports and imports. Will you be prepared to deal with the question of exports with regard to maintaining a favourable balance of payments and also ways and means of maintaining an effective demand against the production in the home market?

The WITNESS: So long as you do not consider me to be an economist or an expert on those subjects I can consider them. I am not really, in any sense, an expert in the field of balance of trade.

Mr. QUELCH: You may have to deal with that question as regards development of resources.

The WITNESS: I think first we are dealing with the home situation primarily because it is more concrete than the other is and I feel that our feet are a little bit closer to the ground in dealing with that first.

Mr. QUELCH: You could deal with the export market?

The CHAIRMAN: If I might make one suggestion in reply to Mr. Quelch, I think it will be almost impossible for Dr. Wallace to tell us with authority what our trade relations will be after the war so far as the balance of trade theory is concerned, and accepting his own suggestion it might be better if we did not consume too much of his time with that kind of question but have him deal more with the home market.

Mr. QUELCH: Could he say how we might expand our home market?

The CHAIRMAN: Anything on the home market would be all right.

Mr. JEAN: To my mind there are some things which we in this committee are trying to find. They have been defined by three groups. Someone has said that we are going to try to find a way to get full and immediate employment after the war; someone has said that what we are contemplating is optimum production; someone has said that what we are trying to find is a good standard of living for everybody looking to the amelioration of conditions which prevailed before this war. Of course, it does not matter which one of these views you adopt each one of them will be touched by the utilization and conservation of our Canadian resources. We as a parliamentary committee should try to find what would be the government's action on the subject we have in mind and the means at our disposal to meet those objectives. I wonder if Dr. Wallace could tell us as definitely as possible what should be the federal government's action in this particular matter?

The CHAIRMAN: You mean his own recommendations on what the government may do or should do?

Mr. JEAN: No, no.

The WITNESS: It is so difficult to speak without seeming to speak on behalf of our committee. Our committee has not got to the stage of deciding what recommendations we are to make.

The CHAIRMAN: We will understand that you are speaking personally.

Mr. JEAN: Yes, without accepting your views.

The CHAIRMAN: And understanding that those views are the personal views of Dr. Wallace and not those of the advisory committee.

Mr. CASTLEDEN: With regard to what Dr. Wallace said about development in Russia, I wonder whether his committee has studied the possibility of utilizing the government research laboratories and the government prospecting corps, using the young men we are training in our universities along metallurgical lines in a government way to conserve the natural resources of our country and then using our own laboratories to get around a lot of the royalty difficulties that the doctor spoke about?

The WITNESS: You mean developing properties through government operations?

Mr. CASTLEDEN: Yes, first there is the idea of prospecting for the deposits and then using the laboratories to define how they might best be used and then perhaps employing some company to develop them on the managerial basis. Has there been a study of that kind?

The WITNESS: We have not gone into the detail of that.

Mr. CASTLEDEN: I think this committee would pass a recommendation to that effect—that a study of that nature should be made—if that would be of any assistance.

The CHAIRMAN: I think we may now adjourn with an expression of appreciation for Dr. Wallace's presence here to-day and the information he has given us.

The committee adjourned to the call of the chair.





SESSION 1942  
HOUSE OF COMMONS

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( SPECIAL COMMITTEE

ON

( RECONSTRUCTION AND RE-ESTABLISHMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

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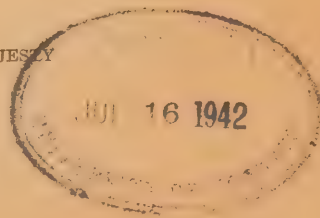
THURSDAY, JULY 9, 1942

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WITNESS:

Dr. R. C. Wallace, Principal of Queen's University, and Chairman of the Subcommittee on Development and Conservation of Resources, of the Advisory Committee on Reconstruction.

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942





## MINUTES OF PROCEEDINGS

THURSDAY, July 9, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock, a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Authier, Bertrand (*Prescott*), Black (*Cumberland*), Castleden, Eudes, Gillis, Harris (*Danforth*), Hill, MacNicol, McDonald (*Pontiac*), McNiven, Matthews, Purdy, Quelch, Ross (*Middlesex East*), Turgeon and Tustin—17.

In attendance were:—

Dr. L. C. Marsh, Research Adviser, Advisory Committee on Reconstruction.

Mr. J. E. Mackay, Secretary to Advisory Committee on Reconstruction.

Mr. McNiven, for Mr. Macmillan, who was unavoidably absent, presented a report from the Steering Committee outlining a program to be followed for the balance of the session. On motion of Mr. McNiven this report was adopted.

Dr. R. C. Wallace, Principal, Queen's University, Kingston, and Chairman of the Subcommittee on Development and Conservation of Resources, was recalled, further examined, and retired.

The Chairman thanked Dr. Wallace for the enlightening evidence he gave the Committee and invited him to attend future meetings whenever he found it possible to do so.

Mr. Harris requested Dr. Wallace to file a record of the steam-power plants in the coal areas of the West.

Mr. MacNicol asked for a tabulation of probable power requirements in Canada in the next 5 years or so; also the potential market for electrical appliances.

On motion of Mr. McNiven the Committee adjourned to meet again Monday, July 13th, at 11 o'clock, a.m.

J. P. DOYLE,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

July 9, 1942.

The Select Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock a.m. The Chairman, Mr. J. G. Turgeon, presided.

The CHAIRMAN: Gentlemen, I would ask you to come to order. We have Doctor Wallace with us again to-day. Before calling on Doctor Wallace, however, I should like to have Mr. McNiven present the report of the steering committee which met yesterday. As soon as we are through with that, we will call on Doctor Wallace.

Mr. McNIVEN: Mr. Chairman and gentlemen, certain members of the steering committee met yesterday afternoon and considered the program for the balance of the session. Doctor Macmillan, chairman of the steering committee, was engaged in other work, he is a member of other committees, making it impossible for him to be present on that occasion. It is also only fair to state that at the time the meeting was convened it was not possible to find Mr. Jean. The other members of the committee—Mr. MacNicol, Mr. Gillis, Mr. Quelch—and myself—were present, together with the chairman of the committee. The committee have asked me to submit the following as their conclusion.

(Report of steering committee read and adopted.)

Mr. BERTRAND: Before we pass to another order, Mr. Chairman, may I ask if the steering committee has studied the possibility of sitting during the recess? I mean, this reconstruction committee?

The CHAIRMAN: They did not study that up to any meeting that was held. If you wish, Mr. McNiven can make a note of that, and the steering committee may consider it at their next meeting.

Mr. BERTRAND: It is of much importance, and there is probably lots of work to be done.

The CHAIRMAN: It is a matter that could be considered by the steering committee.

Mr. BERTRAND: And probably could be discussed with the ministers also.

The CHAIRMAN: Will you take a note of that, Mr. McNiven?

Mr. McNIVEN: Yes.

The CHAIRMAN: Is that satisfactory?

Mr. BERTRAND: Yes.

The CHAIRMAN: If there is no further immediate business, I would ask Doctor Wallace if he would continue in the line of excellent evidence he gave to us at the last meeting, and then subject himself to questions from time to time.

Dr. R. C. WALLACE, Chairman of the Subcommittee on Development and Conservation Resources, recalled.

The WITNESS: Mr. Chairman and gentlemen, there was a question at the end of the submission of last week on which, if you will bear with me, I should like to take a little further time. It was with regard to the utilization

of coal, and the question arose in connection with western coal. It had to do with the further utilization of coal in relationship to industry and possible industry. May I speak about the western coal situation? I cannot give so much information of value to the committee about the eastern coal situation.

It is generally understood and agreed among those who are concerned with fuels on this continent that it is wise conservation to use coal as far as possible, and not to encroach too heavily upon oil resources or gas resources which are at best very limited and which have very special uses. It is wise to try to process coals for as many purposes as possible, and that in the interest of sound conservation of our resources. In Canada we have large deposits of coal still left. In the west the problem has been mainly to widen the market of these coals which, in the area to the east of the mountains, are on the whole of a lower grade, and the matter of transportation has become an important one in that whole question. That, of course, has been before the federal authorities for many years.

What you think of, primarily, in connection with coal is a heavy industry; and British Columbia, as I think the members of the committee know, has taken steps to find out what can be done in iron and steel at the coast. They have a report which has been issued, a report by a very competent group of engineers, as to what is possible at the British Columbia coast in the development of an iron and steel industry on the basis of their coking coals. That report indicates that an industry of 75,000 tons,—not a very large industry—based partly on the magnetites at the coast, and various places, and partly on the scrap iron that is available, could be set up, presumably on Vancouver island, in association with Comox coking coals. That is not a large development. It is a development which would be at least the beginning of the utilization of western coals in heavy industry. As far as the areas in the prairies are concerned, that does not seem at the moment in sight. There may be iron ore areas available yet in the north, but so far there is nothing that would indicate that one could establish a heavy industry on the coal areas of the western prairies. For that reason, the whole of the effort practically has gone to the processing of the coals in order that they might be utilized better in a more compact state than they are at the present time. One method of transforming coal is to make oil out of the coals by what we call the hydrogenation process. Not only in the western areas of coal in Canada but throughout this whole continent that method is economically out of the question so long as there are oil resources available as they are to-day. It is, by far, too expensive a method. It is possible, and it is possible on our western coast, but it is not feasible economically under present conditions. For that reason the main research work, both in the dominion laboratories and in the west, in Alberta, has been in processing to make a more compact coal, either by coking, where there are coking coals available, or by briquetting, to make a coal that can be transported without disintegration, more easily.

Considerable steps have been taken in that direction up to date. Not all coals are capable of carbonization satisfactorily. Some are good coking and others are not. But the method of low temperature carbonization, which gives a very considerable yield as well in tar, has been tried out experimentally and is being utilized at the present time to some extent in the west. The old method of coking was, of course, the bee-hive method, which did not catch the other constituents which are valuable in the disintegration of coal. The newer method, and the method that is adopted wherever there are large centres of industry, is the by-product method of coking, where you get the tar, the gas and the other products. There is a considerable amount of briquetting going on now. It is at a fairly early stage, but it is being developed. The Brazillau collieries have already developed a briquette without much binder materials or without any binder material at all. Binder materials are available in asphalt and tar, and



even products from the cereals in the west. But one can briquette fairly satisfactorily by pressure with very little if any binder at all. As one sees the picture in the west—and I am speaking now primarily of the area east of the Rockies—it is more likely that the coal distribution and utilization will be advanced by processing all the coals into more satisfactorily transportable types than by setting up industries of any kind immediately side by side with the coal areas.

There is another factor that one has to consider, and which I think should be mentioned in connection with the development of power, to which I should like to come later, Mr. Chairman; that is, the development of power in Canada, and it is this. Coal in the west has considerable place as far as the development of power is concerned, more so than it has in the large water-power areas of the east where there is little or no coal. In other words, in Alberta, for instance, a considerable part of the coal is going into power development, power developed through steam. One of the very likely future developments of power, of which a large supply will be available when the war is over in Canada, is in the much greater rural electrification throughout Canada. Only a part as yet of our farming population has power available. While the total amount of power that would be used to supply all our farming population would not be adequate to take up the slack, there will be an opportunity when war industry demands for power disappears. The advantages of rural electrification are two. The one is that it creates a much stabler or solidier farming community with the needed facilities at hand; and the second is it immediately makes a demand for a large variety of electrical appliances which are needed just as soon as power comes into any community.

We have seen that as power has developed in Ontario, immediately there has been a large market for electric stoves, heaters, washing machines, toasters and all the rest. That is a very important factor in connection with industry, and the particular markets locally and in Canada that it may have following the war. So that one would look to a wider development of coal for this purpose, combining with water power in the west for further rural electrification than has been possible up to the present time. This does not give as yet a very wide demand that can develop immediately large resources, but it does seem to be the way that is wise in the future development of the lower types of coal, of which there is a large amount in our western prairies.

At the coast, the chances are somewhat better there for heavier industry establishments which might grow on coal, and of which as yet there is a very limited development on our western coast. That I think was what I wanted to say about the coal situation, and which there was no time to say at the last meeting, and which I wanted a little more time to think about. If I might go on to power, I should like to do so, Mr. Chairman. Perhaps it might be advisable to take the whole situation.

The CHAIRMAN: Very well.

The WITNESS: The power situation in Canada—by which I mean now the hydro-power situation—is one that needs a good deal of thought as well in connection with the post-war situation. Hydro-electric power development in Canada has been a remarkably rapid development since, let us say, 1904 or even 1910. The development has taken place mainly because of the large development of electro-metallurgical industries, pulp and paper industries, and electro-chemical industries throughout Canada in those years. It has grown now to about 9,000,000 horse-power development in Canada as a whole—almost 9,000,000. Probably at the moment it is over 9,000,000, because there is rather a rapid development just now. Of that 9,000,000 horse-power it is estimated that about a third is totally in war industries, the market for which would stop with the end of the war. So that one looks forward to a situation in power where there will be for a

time at least a large amount of cheap power available, for which use must be found productively in Canada. There are certain phases of use which must come in fairly quickly. It has been the practice in the pulp and paper plants, I understand, to use electric power to a large extent for certain processes—in raising steam in boilers for example. Then the demand for power has become so great recently, particularly in the aluminum industry, the industries have switched over and are back at coal again for this purpose in those plants, because the power that is available is necessary now in Canada for war industry purposes, apart from what is needed for ordinary domestic purposes.

*By Mr. McNiven:*

Q. Where are they using coal in the aluminum industry?—A. Using coal in the aluminum industry?

Q. Yes.—A. No. As far as I am aware, the aluminum industry is based practically entirely on water power. I was stating that the pulp and paper industry, where there was steam raising by coal originally, and which switched over into hydro power later, is now back again at coal, because of the needs of power elsewhere.

Q. Oh, yes.—A. General Electric, for instance, in the United States has set up a large research organization on the appliances that may be needed after the war in the electrical industry, as far as their company is concerned. They feel that is a very important field to think about and plan about now, because there will be such a change of market demands after the war in their industry, that there is a need to be ready to turn over to processes which may be of the marketable type following the war. While it has been the case in Canada, I think, taking the whole picture over a period of years—over a period of thirty years—that excess power is available as excess power only for a relatively short time, there will be excess power immediately following the war; and until that is caught up by industrial use, there is need for thinking that whole problem through.

May I come back just for a moment to rural electrification? It does seem, I think, to me—and I think it seems so to all of us—that it is a very sound thing to get the farming population of Canada in touch with the facilities such as the urban population has.

Mr. Ross: It is only right too, Doctor.

The WITNESS: Yes, I would agree that it is only right, and that the widest possible rural electrification should be one of the projects immediately following the war. I am told by power men that this does not take up as large a body of power as one might expect, if it is simply for farm use and for home and domestic use. But there is another factor that will enter into it. With the development of power available for the smaller communities there would, one hopes, be some decentralization of industry into rural districts and away from the cities. So that it would seem that there is a field of very important consideration in the larger policies affecting the consolidation of our Canadian economic life.

*By Mr. Ross:*

Q. I just made a notation or two when you were speaking of coal and with reference to our western coal resources. Under the scheme or idea of the decentralization of industry, is it not fair to assume that the vast coal reserves now long idle in the west, will be naturally required in order that this important work of decentralization of industry shall proceed and also succeed in the west, as well as electrification?—A. One would hope that would develop. Those of us who have spent some time in the west, with the idea always in our minds of greater and greater secondary industrial development in a primary producing

area, have seen that it has been a rather slow and up-hill process. The west is not a solid and sound economic unit as long as it remains a primary producing community only. It has to develop secondary processing industries as well. The problem has been in a large measure, first of all, available raw materials for that processing, and secondly marketing with the relatively small population. But with the greater development of power facilities, the greater need, as I think we all feel there will be, of decentralization of population to a greater and greater extent, the more will be the possibility of that development. It does seem to be one of the major problems of Canada, to see to it that there is a balanced industrial, agricultural and economic life in each part of Canada, as far as it is possible to attain it.

The CHAIRMAN: Doctor Wallace is ready for questions relating to anything that he has said to-day. Mr. McNiven had started asking some questions at the last meeting and I asked him to hold it off. I would invite him to continue now.

*By Mr. McNiven:*

Q. Doctor Wallace, you mentioned a moment ago that it was not wise to develop industry beside the coal mines. That is, I assume, using the coal for power purposes. That is, bringing the industry to the coal. Has that not been done, though, in certain parts of western Canada? For example, there are three very large flour mills at Medicine Hat. There is a pottery work and a glass works at Medicine Hat, which came to Medicine Hat only because they had cheap fuel?—A. There is no doubt about that. I am afraid I must have created the wrong impression if I made that statement. The development of industry in coal areas is a natural development and has been done all over the world. That is, other materials, where necessary, are transported to the coal, as, for instance, south of the international boundary line, immediately south of us.

Q. You are familiar with the large lignite coal deposits in southern Saskatchewan?—A. Yes.

Q. Would you suggest any use that could be made of those in a post-war development?—A. It seems to me that the wise method—and this is really the problem—is to endeavour to use the raw materials that are there in the country rather than to bring in raw materials from elsewhere for processing. That would mean, as far as possible, secondary processing of agricultural products of a variety of kinds or of whatever raw materials there are of a mineral character available. There is already quite a substantial and definitely a growing development of the clay resources of southern Saskatchewan, which are of good quality.

Q. They are all transported to Medicine Hat or other municipalities?—A. Some of them are not far from Medicine Hat. They are transported to Medicine Hat because of the cheap fuel that was available. I should like to make it clear that it is wise to establish industries near coal, where it is possible economically to develop the industries with a market, because of the relatively close raw materials that may be available to be established. But when you have to draw raw materials from the east, for instance, to our coal area in the west, and market the materials again back with the population of the east, then it becomes—it has been impossible up to date to establish industries on that basis.

Q. I understand that Australia is largely dependent for its power upon lignite coal deposits of an inferior grade, inferior to those in southern Saskatchewan. Do you know anything about the development of power in Australia?—A. No. I am afraid I cannot say anything specifically about the power development of Australia.



Q. Have you any opinion as to the policy of establishing clothing factories and factories of a related character in western Canada?—A. There are at present in some of our western cities fairly substantial clothing factories.

Q. There is an overall factory and a shirt factory at Edmonton?—A. Yes. I was thinking of that particularly when I spoke. That, as far as I am aware, is a fairly flourishing industry.

Q. I believe it is. There are also some factories in Winnipeg but those do not use any substantial measure of power of the kind we were speaking of to-day. It is very limited.

Mr. MACNICOL: May I suggest that you regularize the questions, Mr. Chairman. Doctor Wallace took up his subject under three headings—iron, coal and power. We are talking about coal now. Let us get back to where the doctor started and commence with his first statement on iron and discuss that. Then we could take up the second one which was coal, then power.

The CHAIRMAN: Yes, except that with it he brought in the idea of decentralization of industry. What I was going to suggest was this. Mr. Harris was asking a question. I asked him to wait until you were through, Mr. McNiven. Then we will see about regularizing the procedure.

Mr. HARRIS: I quite agree with what Mr. MacNicol says. I think it would be better to proceed along the lines he suggests. The doctor painted a very nice picture of the possibilities and the advantages with regard to iron, coal and so on. He also intimated that he spent considerable time out there and knows the situation particularly well. Let us have the other side of the picture, the disadvantages. Perhaps, with your permission, Mr. Chairman, he could give us briefly some of the problems and some sort of answer to the problems that are there. First, let us take water and water supplies—the character of the water itself, the nature of the water, the hardness of the water eliminates industries of many kinds that would like to locate out there, probably.

The CHAIRMAN: You are talking of the west now, are you?

Mr. HARRIS: That is where the doctor left off, yes. Take Moose Jaw, for example. There is no supply of water in Moose Jaw; at least, there is no satisfactory supply of water. The Moose Jaw Brewery, for example, shut down because they could not get water, and their plant is lying idle. Other plants that would like to locate there, in the western prairies, are unable to get a supply of water.

Mr. McNIVEN: We have two breweries in Regina forty miles away. They will supply you, Mr. Harris.

Mr. HARRIS: Quite so. I was not thinking of that. But Regina is having a very serious problem with regard to the hardness of the water. That is related directly to coal, particularly when you are using the coal for the development of power. If the doctor could give us something along that line, I should be glad to hear it. Then there is the second problem, which is entirely different from that. In the western provinces, as you probably know, Mr. Chairman, cities have been developed on what the provincial authorities and municipal authorities thought were very sound lines with regard to where certain industries would be located. They said, "This shall be a residential area, this shall be a light industry area", and the heavy industries will have to go somewhere else. A lot of light industries had established themselves in the west, and heavy industries or semi-heavy industries would like to establish themselves there. I am thinking particularly of iron and steel. With the tremendous quantities of scrap that are available, there are great possibilities in the western provinces for the establishment of some of those industries. The problem they are up against right away is this. When you look at the centres, the railway centres particularly, you will find that a whole area may be residential, others light

industries and so on, and there are so many restrictions to the provincial and municipal set-up that those who would like to establish industries there find themselves terribly discouraged or at least find themselves just away out in the outskirts in undesirable locations with no such railway facilities as they would like to have. With Mr. MacNicol's permission, I should be glad if we could have a word or two while we have the witness here on the asked by Mr. Harris with respect to the presence or availability of water and its hardness and secondly on the angle of the scarcity of water, and then on the second problem with regard to the municipal restrictions on industry.

The CHAIRMAN: Mr. MacNicol and gentlemen, I think that the first question asked by Mr. Harris with respect to the presence or availability of water and its necessity for power development through coal is quite in line with the evidence given to us by Doctor Wallace. I think he could answer that question and then we shall see about the second one, Mr. Harris. I will not say that he can answer it, but he can deal with it.

The WITNESS: Might I have that question again, Mr. Chairman?

*By Mr. Harris:*

Q. The first question was with regard to the water, whether it was unsuitable in that it was hard. Does that lend itself to the production of steam without very excessive costs in softening the water? Does that not add to the cost of your power? Secondly, there is the question of the scarcity of water in many parts.—A. I am not sure that I am the person to answer adequately the questions that Mr. Harris has raised, I can say this, that I passed through a period in Winnipeg, from the hard water stage to the soft water stage, where Winnipeg found it feasible to go nearly one hundred miles to a large reservoir, The Lake of the Woods, to get soft water, where formerly they had drawn their water from wells in the limestone immediately north of Winnipeg. There is no doubt it made a great difference in the whole industrial outlook, with regard to those who had to use boilers, for instance, in industry. The three cities, the three western cities—and I am speaking now about the plains—Edmonton, Saskatoon and Calgary—are on a relatively large river supply of water. On the whole, the hardness is not serious in those rivers. It is true that in the prairies, where one is away from the river supply of water for industrial purposes, there are difficulties in some places. I am not personally very hopeful of heavy industry in the prairie areas; that is, apart from Winnipeg where there is a considerable amount of it already, and there will be more. I would think rather, looking forward to the future, of lighter industries indigenous to the area which is agricultural and which will be much more varied in its agricultural development as time goes on, with a greater variety of crops from which processing can take place, so that the product that is sent out would be more concentrated than at the present time to the market where the population is larger. We cannot look forward to a great increase in population in the west. The southern areas are on a mechanized basis of agriculture and will remain so. One would hope to have a larger population in the northern areas, on a more rounded-out plan. But there will not, in the future we look forward to, be large populations of the kind that will in themselves absorb a large part of the industrial production that might be developed in the west. We still have to think of a considerable amount of transportation of the product to the larger centres, east and west. So that it seems to me that the wise outlook there is wherever it is possible, in relatively small aggregates, to develop the secondary industries on the main primary products of the west.

*By Mr. McNiven:*

Q. Would you suggest that we might expect to establish a power alcohol industry or the plastic industry where wheat was the basis?—A. If and when

that is a feasible method, and economical to develop. As yet there too the price is pretty high. But there is a good deal of work going on. It is one of the fields of research where it may be possible to make eventually an economic development.

*By Mr. Harris:*

Q. What about my second question, as to the scarcity of water where coal is available?—A. I beg your pardon?

*By the Chairman:*

Q. Can you answer the question as to the scarcity of water in those western areas where coal is available?—A. There is no scarcity in the foothill coal areas, as a rule. They are pretty closely associated, in the main, with the mountain streams. I would say that, on the whole, as I know the western coal areas, the scarcity of water is not a particular problem. I am saying that off-hand and would need to check it up in the detail. But I doubt whether it is a difficulty anywhere in the western foothill areas, for the purposes of reasonable industrial development.

Q. Is it a difficulty in the Edmonton area and west of Edmonton where there is coal, in a large measure? Is there a scarcity of water there?—A. No, I should think the site of industry could be chosen relatively easily with reference to water in any of the areas that I know. As I say again, I am not thinking personally of any very large or expansive industrial development.

*By Mr. Bertrand:*

Q. You were talking a moment ago about transportation, and you said transportation would probably still be a problem in the utilizing of the natural resources of the west. When speaking of coal you were mentioning the process of briquetting. Do you know how much it would reduce the volume, by putting the coal into briquettes, for the purpose of transporting it east, and how it would affect its quality?—A. Briquetting improves the quality up to a fairly good hard coal, as far as the thermal value is concerned. As to the reduction in size for transportation purposes, I am not able to give you any information.

Mr. MACNICOL: It takes about three tons to make two.

The CHAIRMAN: You say three to two?

Mr. MACNICOL: Yes. The weight would not be less.

*By Mr. Quelch:*

Q. I should like to ask a question in connection with the utilization of coal and the development of power. Doctor Wallace has stressed the desirability of electrification of the rural areas. I have in mind the fact that in many of the rural areas there are power lines running, but in the majority of cases, the very great majority of cases, the farmers are not able to use that power owing to the prohibitive cost of the power. Would Doctor Wallace suggest that if rural electrification is carried out, it would be done as a public utility in order to reduce the cost?—A. I think in the whole process of reconstruction it will be necessary for the government of Canada to consider how far it should assist in the stabilization of our economic life, and I look at many of these projects as being in part, if they are developed, assisted by the Dominion Government. Part of the problem when I was in the west with regard to the farmer and his power was the cost of the transformer, where it is necessary to step down the power to meet the needs of the farmer. That was a rather heavy cost.

Mr. McNIVEN: \$500 or \$600.



THE WITNESS: Is it not feasible to consider, that if, when the war is over, there is a supply of cheap power that is unused for the time being, as will undoubtedly be the case—one of the largest corporations in power and industry in eastern Canada, down in Quebec, is using two-thirds of their power at the present time on war industry and only one-third on domestic industry. If there is to be—and they tell us there will be—a large amount of power available, would it not be good business on the part of the companies themselves to make contact with people who are using and will use the appliances of power? There might, one would expect, be a method whereby the company itself, possibly in co-operation with the government, might make possible the bringing of power to the farmer. I am making a suggestion, and not speaking on a program that we have defined. But the agricultural industry in Canada is one that must be maintained on a sound basis, and it pays Canada to see that it is done. One of the things that does maintain the kind of freedom to live fairly satisfactorily and well is the use of power in all the processes that the farmer needs. Consequently, if we are thinking now of public policy for public benefit, this is one of the things that would mean very much in the stabilization of our whole life.

*By Mr. Quelch:*

Q. Would you say that, by the wider utilization of power in the west—for instance, in the Calgary area—the price of that power could be made on a comparative basis with the cost of power in Ontario? At the present time it is very much higher, is it not, in spite of the fact that both water and coal are available there at much cheaper rates than they are in Ontario? At least, so far as coal is concerned, that is so?—A. Well, I am not in a position to compare their rates, or their costs. I have not looked into the matter. It is, of course, a very much smaller market there than in our eastern Ontario districts.

Q. That would be the main thing?—A. The huge markets of the St. Lawrence valley and right through western Ontario and on into Quebec, makes possible what is not easily possible in the west, where you have very large transportation lines, very extended, for relatively limited use. We saw the same thing, as you know, in regard to the telephone situation; exactly the same thing in the west. The problem is limited settlement, which is necessarily sparse in the wheat-growing areas, in the southern wheat-growing areas. This makes extremely difficult services and costs consequently relatively high.

*By Mr. McNiven:*

Q. One customer to the mile?—A. I beg your pardon?

Q. One potential customer to the mile?—A. Yes.

*By Mr. Quelch:*

Q. Having that in mind, would you say that power developed by coal could be provided to the farmer as cheaply as it is in many cases being provided to-day by the local units of the wind charger?—A. That is another picture in the west. The wind development of power, which was a dream fifteen years ago in the west, has come in in considerable degree. I am not prepared to say that you can get rates down to what the farmer himself can get through his windmill and batteries. I do not know. But on this we will agree at least, that the steady power coming from a line is much more dependable than any power used locally through wind. The fact that you can have a large number of people lined up together, tied up together in a co-operative arrangement, does give more hope for the future than the individual development of the single unit.

THE CHAIRMAN: Are there any further questions of Doctor Wallace?

Mr. HARRIS: I just wondered if Dr. Wallace would have on his files a record of the power producing plants in the coal areas of the west. If so, I thought perhaps he might file that. I think there are about four hundred altogether. You probably have that list on your files, Doctor. There are quite a number which are in disuse now, for one reason or another. Perhaps he could leave a record of that with us. The other thing I had in mind was this. Has he got any answer to the problem of the municipalities restricting their railroad centres particularly in the matter of where industry should be located?

The WITNESS: I have not a record at the moment of the power plants—the steam power plants in the west. It would be very easy to get that. The Calgary power company could immediately give a total list of the power plants.

Mr. HARRIS: I have it, but I thought perhaps it would be opportune for the committee to have it.

The CHAIRMAN: We will take a memorandum of that. Are there any further questions along the lines of coal or general power development?

Mr. MACNICOL: Yes, I have quite a number, but I should like the committee to get down to a regular basis. The question of power itself would take more than one sitting. The question of coal would take more than one sitting. When the Doctor started off with iron, I should think we would try and get somewhere first with what he started off with, and finish that, and not jump all over the place, from power to coal, to iron and to one thing and another. Our record is going to look a mess. We will not have anything complete.

The CHAIRMAN: Not if we stay with coal, at any rate. I think every question, except one to-day, has related to the development of power through coal and other uses of coal. That other question I have asked Mr. Harris if he would leave in abeyance for a while. If we are through with coal, we can discuss iron.

Mr. MACNICOL: I should like to say something about coal.

The CHAIRMAN: I think if we stay with coal, and then take iron, it would serve our purpose; because he dealt with coal in the same way as he did with iron. As a matter of fact, they can be related.

Mr. MACNICOL: I should like to ask Doctor Wallace this question in reference to coal. Is there a tabulation at present of the amount of electric energy now used in the province of Saskatchewan, and if so, has he it with him? If so, where is the electric power now used being produced? And if the power now being used in Saskatchewan were all aggregated into a cheap power development, would it not be a great deal better for Saskatchewan? For instance, I do not know whether they are producing power in Regina for the local demand or whether they are producing it in Saskatoon for the local people in any of the other towns, villages and cities in Saskatchewan. What is the amount in each one and the cost of production? If all those demands are aggregated together, and the power were produced by coal, of which there is a vast amount in Saskatchewan, at one power plant, what would it be? I spent some time last summer in Estevan, and I am going to spend some more time there this summer. I was in contact with men who are producing power there, men who know what it costs to produce power, and what can be got out of each ton of coal. That is their business. What I would like to know first is this. Suppose instead of producing as perhaps they are now doing, 5,000 or 10,000 horse-power at Estevan, with cheap coal—and it is cheap coal and there is an endless supply of it—they produce it at plants that could produce 100,000 horse-power, could electricity be delivered in Saskatchewan at a still lower cost? I have tabulated a lot of figures and I am going to tabulate a lot more, but it takes time. You cannot do it in a few minutes, in a committee like

this; unless you are going to concentrate on one item and finish that one item first. What I would like to know is this, what amount of electricity in Saskatchewan is produced from coal or otherwise—I suppose the power was produced in the only place it apparently could be produced, if produced by cheap coal, and that is Estevan. Now, using an arbitrary figure, let us assume that the total now used in Saskatchewan is 100,000 horse-power, could this amount of power if all produced at Estevan be produced for 25 per cent less than it now is? The point is this. Men talk about industry who are not familiar with it. They are earnest enough and honest enough, but they are not familiar with industry. Those who have invested capital in industry and those in industry like Mr. Harris and others who know about industry, would have regularly established theories to consider before establishing industry in the west. One of them is with regard to power, of course. You will never get industry to go anywhere where power is high. Power must be cheap. There is not any way of transporting power as easily as transporting it by electric wire. We are transporting power to Toronto from the Gatineau here, hundreds of thousands of horse-power this very day; the same is true of Beauharnois, and the same could be done from Estevan. My idea in connection with building industry in Saskatchewan for some time has been that some concrete, businesslike, sensible way of producing power cheaply and delivering it cheaply in Saskatchewan would materially help. There is hope for Saskatchewan if power can be produced cheaply out there in large volume.

The CHAIRMAN: What was your direct question, Mr. MacNicol?

Mr. McNIVEN: You are speaking from the industrial standpoint?

Mr. MACNICOL: I am speaking from the practical standpoint.

The CHAIRMAN: I do not want us to get into an argument, because after all, we are examining a witness.

Mr. MACNICOL: I should like to ask the Doctor if there is a tabulation on the power now used in Saskatchewan, and if there is any tabulation of the cost of the power, the horse-power at the point of production; and if all that power now used in Saskatchewan were produced at one place, say at Estevan, would power costs be reduced by 25 per cent?

The CHAIRMAN: Are you prepared to answer that, Doctor Wallace?

Mr. MATTHEWS: I was going to say, if you could give the details of what was being done by the Manitoba Power Commission in the production of power, it might be useful.

The CHAIRMAN: Mr. Matthews, would you just wait, or we might work that in with it, of course.

Mr. MATTHEWS: That was the intention, that it be worked in with it.

The WITNESS: I have not the data to answer Mr. MacNicol's question.

Mr. MACNICOL: The doctor could get it, I think. I may say I like the way the doctor approaches the matter. I like the matter-of-fact way he presents it.

The CHAIRMAN: I think that is a pertinent question. Could you get that information?

The WITNESS: I would be very glad to get the information.

Mr. McNIVEN: There is a tabulation in the *Canada Year Book*.

The WITNESS: I may say that Saskatchewan is a province that cannot develop its power well through hydro-electric power. It has to depend upon coal. It has cheap coal. Estevan is the natural place. Just what the cost could be of developing and distributing, I have not the information. I will get all the information I can.



Mr. MACNICOL: I have been working on that myself for quite a while, and I am going to work on it again this summer, because I think it is the solution for Saskatchewan.

The CHAIRMAN: Have you any more questions, Mr. MacNicol, relating to coal?

Mr. MACNICOL: Not with relation to coal.

The CHAIRMAN: Are there any further questions with relation to coal, and the possibilities of developing power from it and the decentralization of industry? That was part of the discussion of Doctor Wallace.

Mr. HARRIS: On the decentralization of industry, I wish Doctor Wallace would go a little more into it.

The CHAIRMAN: No. I mean with regard to coal.

*By Mr. MacNicol:*

Q. I want to ask another question. The Estevan coal is much like what we have in northern Ontario?—A. It is of the same lignitic quality. I am not sure how the two compare in thermal units, but it is the same general type of soft coal.

Q. Whatever would apply to Estevan, would apply to that?—A. Yes, I think so, in a general way.

The CHAIRMAN: You had some questions to ask on what the doctor said about iron?

Mr. MACNICOL: Yes. I was very interested in what the doctor said about iron.

The CHAIRMAN: Would you ask him those questions now?

*By Mr. MacNicol:*

Q. I like the matter-of-fact way of approach that Doctor Wallace has made to the study, as I said before. He started off with iron in connection with British Columbia. I would like to ask the doctor in reference to that, because I am going to make a survey of that this summer. Where is the location of the iron deposits you had in mind?—A. There are several deposits both on the coast and on some of the islands, but the more important one on which it might be established would be in Texada island. There is a printed report which the Minister of Mines in British Columbia obtained from this company on this whole project, and which is available.

Q. You have not got an analysis?—A. I have a copy of the report.

Q. Do you have an analysis of the iron on the island?—A. No, I have not an analysis of the iron on the island. They are dealing with rather high-grade magnetites. They propose magnetites only and no hematites for this particular plant, and the scrap iron which is available—the two.

Q. Is there limestone close at hand?—A. There is limestone close at hand near Comox; and there is coking coal right there; and they propose, rather than at Vancouver, to have a plant established with the coal on Vancouver island.

Q. A smelting plant?—A. Yes.

Q. And ship it over to Vancouver?—A. No. Ship the ore to Comox on the island.

Q. And smelt it there?—A. Yes.

Q. And the iron to Vancouver—the pig iron over to Vancouver?—A. Well, no. They are thinking of processing as far as possible on the island.

Q. Rolling any plate there?—A. I think they would ship out a good deal of their pig iron elsewhere.

Q. My own opinion about that matter is that the pig should be shipped to any substantial mill for processing any of the iron products?—A. There is a very carefully analysed report and one well worth reading.

Q. You said 75,000 tons?—A. 75,000 tons.

Q. A day, a month or a year?—A. A year.

Q. 75,000 per day would be roughly about 20,000,000 tons a year. That is a good deal more than they are using in Canada? We use about 4,000,000 tons?—A. It is a small plant; 75,000 tons a year.

Q. 75,000 tons a year?—A. Yes.

Q. That is a small plant.—A. Just a small plant. They feel that is the wisest size to begin with.

The CHAIRMAN: The question of marketing comes into that very strongly.

Mr. MACNICOL: I think after the war the shipbuilding market is going to be attractive, and I think that British Columbia is a good place to build ships. You apparently have the iron and steel, and you can build ships out there.

The CHAIRMAN: Are there any further questions?

Mr. MACNICOL: Yes. The doctor said something about the prairies in connection with iron. I have given that quite a lot of thought, too. If Saskatchewan is to become a really great province, it will have to have some iron industries. In that connection, why could not Saskatchewan use the iron from Clark Island, in Hudson Bay, one of the islands adjacent to the Nostapoka River where they have any amount of power for producing it, and shipping it over to Churchill, and from Churchill down to Saskatchewan? Why could they not ship the iron ore to Churchill, smelt it there and ship it by rail to Saskatchewan? Has that been given any consideration? Personally, I do not see why they could not have iron plants in Saskatoon, Regina and Moose Jaw if they could only get the pig iron at a reasonable rate.

The CHAIRMAN: Have you any knowledge of that, doctor?

The WITNESS: I could not say anything that would be of any value there. My own reaction there would be rather to ship eastward to the St. Lawrence than down the Hudson Bay railway to Saskatchewan, because of the much shorter rail transportation. Suppose there was a plant established in the St. Lawrence valley, in the lower St. Lawrence valley. Would it not be more natural than to ship by rail all the way through to Saskatchewan?

*By Mr. MacNicol:*

Q. It is about 600 miles from Clark Island to Churchill and the iron is easily taken out over in those islands?—A. Yes.

Q. If they shipped their iron over to Churchill, there is any amount of limestone there. I went up especially to see that. There is any amount of power—millions of horse-power in the Churchill river, and they could reduce the iron at Churchill and supply the pig to Saskatchewan?—A. I thought you meant to ship through the ore.

Q. No. It is too expensive to ship iron ore by rail that distance, but would it not be cheap to ship iron ore from Clark Island to Churchill and then they would only have the freight on the government-owned railway down to Saskatchewan. Personally I am very interested in doing anything I can to bring about a balanced economy in Saskatchewan. To do that they will have to do more than raise wheat?—A. I quite agree.

Q. They will have to have industry?—A. I quite agree.

Q. As the iron and steel industry is, and will be after the war particularly, like it was after the other war, of vital importance, I should like to see some of it established in Saskatchewan. Have you any smelting coal in Saskatchewan?—A. No.

*By the Chairman:*

Q. No smelting coal?—A. No, I should think not in Saskatchewan.

Q. In Alberta?—A. In Alberta the coal could be used; the western coal can be used.

Q. Before we leave iron, have you any knowledge of this? There is supposed to be a great deal of iron in the Peace River block of British Columbia alongside of the coal that is there in the Hudson Hope area. Have you any knowledge of that? I know you would have no definite knowledge, but have you any general knowledge of it?—A. Well, I know, as others know, that this has been investigated and has been generally known for a considerable time, that that whole area of Hudson Hope, and on the Findlay and Parsnip rivers is a very possible future area of development because of the coal and because of the other resources in that area. One of the future developments would undoubtedly be, one would think, into that area. I am not saying that because it is in your constituency, Mr. Chairman.

Q. No, I realize that. Are there any further questions?

*By Mr. Macdonald:*

Q. Speaking about iron again, have you any knowledge of the iron mines that were developed in the township of Bristol, within about forty miles of Ottawa, along the Ottawa river. They were operated some years ago and closed down and have never been operated since. I wondered if you heard anything of that?—A. I would suggest that there are officials of the Mines Branch here in Ottawa that could give you very detailed information on that.

*By the Chairman:*

Q. You mentioned a while ago that when the war was over, about one-third of the present power developed would be immediately out of use. Have you any idea of the number of workmen engaged on that who might be thrown out of work suddenly?—A. No, they are very widely distributed in war industries at the present moment. It is in the large munitions plants particularly, and in aluminum and so on. I cannot just tell you how many men are engaged in it. Of course, in the development of that power, relatively few men, but in the actual industry itself, a very large number. The power situation in Canada, which has expanded so rapidly to 9,000,000 horse-power, could expand to about 45,000,000 horse-power. That is approximately the available horse-power in Canada that could be utilized. So that we have there in power itself an extraordinarily large possible continuous development.

*By Mr. McNiven:*

Q. Does that include the development of the St. Lawrence waterpower?—A. It includes everything, according to the power experts in Canada, they consider this amount to be feasible for development. So we have only developed about 20 per cent or so of the horse-power available in Canada.

*By the Chairman:*

Q. To use that development, what is required and what would you advise, Doctor?—A. Well, to use that development there is required the type of industrial life that can produce materials, finished products, that can be marketed either in Canada or across the world.

*By Mr. Quelch:*

Q. Could Dr. Wallace go a step further? How are you going to obtain those markets? For instance, in the United States they had a tremendous development but their greatest trouble was to find markets afterwards. After the war there will be a great development in all countries. I would like Dr. Wallace to follow that question up. First of all, you suggested that there should be a great development of power in order to utilize the coal. When you have expansion of power, you have expansion of industry. When you have expansion of industry, you



have expansion of goods. What are you going to do with those goods when you have them? Unless you can sell them, and where are you going to sell them? In the past the policy of the government has been to maintain as far as possible a large favourable balance of payments, in order to get rid of those goods. Would you say that is a sound policy for the future? If every country tries to sell more than it buys, it causes international friction and leading up to war. Every question we deal with we will get back to that. Where you have expansion of industry, you have expansion of goods and cannot sell what you have already got.—A. Mr. Chairman, I think you will realize that my mind has been working and the minds of our committee on what can be done internally in Canada, because that is something on which we can more or less put our feet. It is for that reason that I mentioned rural electrification, because immediately you have a Canadian market for products that can be manufactured in Canadian industry. The other is a much wider and much more difficult question. The only thing I should like to say about this wider question is this. We are developing machinery gradually, day by day, in the co-operative efforts of the United Nations that are fighting on the one side, economic and to some extent political machinery. The hope that I see is that that be strengthened and consolidated and made permanent in such a way that when the war is over that relationship, that combined economic co-operative relationship will continue. That is where I see the hope of a kind of area of economic trading which may widen out considerably, in some regards at least, our possibilities of markets and may unfortunately restrict them in others. I do not think we can pass through the post-war period without great sacrifices. I think we make a great mistake if we feel that we can. We will have to make sacrifices somewhere if we are to build the peace that is to be a lasting peace in the future. I do not see it in a revolutionary method, but I do see growing before our eyes a remarkable development of co-operative relationship in defence and in production of raw materials and in the utilization of raw materials. If we can, by insisting on the same need in the post-war as we have in war, of these co-operative relationships of people who have learned to understand each other and appreciate each other's ideals, we may have a hope of working out a reasonably wide economic relationship to help in the problem which Mr. Quelch raises. I think I cannot say anything more than that, and there is no use of my saying any more.

Mr. Ross: I think that is a very frank statement and I subscribe to every word of it. Without absolute international co-operation I think we are going to get no place at all. We have got to bear the burden and we have got to bear the sacrifices, and so will the other nations. Out of this whole thing I think will come a better world than we have known, but there is a lot of work ahead of us, and we cannot dwell on any special phase of it. Speaking to that point, I think Mr. MacNicol brings up a very excellent argument when he states that sometimes he feels we are getting nowhere. I felt that if the committee, Mr. Chairman, were more divisionally minded, like Mr. Quelch suggested—if we had a committee sitting on the different divisions, I think it would be of great value. If we had a small subcommittee sitting on power, one on agriculture soon we would come to quicker conclusions, and more important and better conclusions, and advance our work here and in the estimation of the people of Canada as well, and perhaps in the estimation of the United States and other countries. That is my view.

The CHAIRMAN: Of course, this is a committee whose work cannot be done quickly. I am only giving my own opinion, but if we tried to put pressure behind our studies, our judgment would be very very far from a true one. For instance, the advisory committee on reconstruction, of which Dr. James is chairman, and of which Dr. Wallace is so valuable a member, and which has done excellent work, has been sitting for about fifteen months, and has not reached

any conclusions yet, and very correctly so. If they had reached a hasty judgment, I imagine this parliamentary committee might have less confidence in it than we have. We have shown our confidence in it by calling almost entirely members of that committee to give us evidence of a helpful nature.

Now, as the result of acceptance to-day by this committee of the report of the steering committee, the next meeting will deal exclusively—unless the committee should decide to revert its action—with Nova Scotia coal and general problems relating to the production and use of Nova Scotia coal—particularly, of course, concerning the employment of men and women in general in connection with coal, not only in the coal mines but the industries that arise from it.

Mr. MACNICOL: One question before Dr. Wallace goes. I was greatly pleased with Dr. Wallace's suggestion of a thing that applies particularly and solely to Canada when he spoke about the delivery of power, electric power, to the rural communities, and associated with that the purchase of all sorts of electrical appliances for farm use, the same as they had in the States. In that regard, I would like to ask if Dr. Wallace would prepare or could prepare a tabulation of the probable numbers of farm houses in Canada to which power can be delivered and the probable number of appliances—the approximate average number that would be purchased; and then say the average use—five or ten years, perhaps longer than that—of electric irons, toasters, and so forth; and then transform that into labour back in the plant. I think that is a fine suggestion that Dr. Wallace has made. There is a really great source of labour that could be used right here in Canada.

The WITNESS: I can get that, I think, without any difficulty. I saw personally the development on the Rideau canal, in Smiths Falls, and so on, when the power came in. The electrical appliance salesmen came in scores ahead of the power, and it convinced me of a market that is potentially in Canada and can be greatly widened. I would be very glad to get that information. I am sure it can be obtained fairly accurately.

*By Mr. McDonald:*

Q. Do I correctly interpret your idea with regard to rural electrification, if I say it is your opinion that assistance should be given by the federal government for the development and the construction of lines throughout the rural districts?—A. Well, Mr. Chairman, I should not like to say that nor have it recorded. You realize that our committee—and I am speaking now as a member of a committee—has as its responsibility the recommendation to the minister of any proposal that we may think advisable. As the Chairman has said, we have not reached the stage where we are prepared to recommend that or other proposals to the government, so I think it would be wholly inadvisable to say that. I would say simply this, that in my own judgment, the dominion government will have very considerable responsibility in a financial way in the whole problem of reconstruction. I think I can say that.

Q. One of the reasons I am putting that question is this. The Quebec legislature some years ago appointed a commission to study that very question. They brought in a report to the legislature and the substance of it was, that owing to the cost and the sparse population, it would not be economically feasible to bring about rural electrification in the province of Quebec. There had been an agitation there in connection with that. It had been so widespread throughout the province of Ontario. That was the chief ground for no action being taken, that it was too expensive for the amount of power that would be used on a farm. I say there was an agitation at that time for hydro development in the province of Quebec, with the result that there has been nothing done since. There has been a development up in the northern part of my county by the Quebec government, but it has not been for distribution through the rural districts. It has been sold en bloc to the mining companies, so we have not any rural electrification to any great extent in the province of Quebec.

The CHAIRMAN: Do you remember what was the cost set out in the report?

Mr. McDONALD: I forget that now. It was back some years ago.

The CHAIRMAN: Are there any further questions?

The WITNESS: It is a gradual matter. Ontario districts are fairly rapidly developing into rural electrification.

Mr. McDONALD: The Ontario Commission contributes 50 per cent of the cost, if I remember rightly, of the distribution lines.

Mr. MACNICOL: They have in Ontario a really worthwhile arrangement and a fair arrangement for the supply of electric power to the farmers. I am strongly of the opinion, Mr. Chairman, that development along that line suggested by the doctor would really be a worthwhile plan for us to recommend, to recommend that the dominion government assist in the cost of the production of electricity for that kind of work.

The CHAIRMAN: Are there any further questions?

*By Mr. Castleden:*

Q. I should like to ask one question. The doctor has said that his committee has sat on internal problems of Canada. I was wondering whether they had taken up the study of the steps that are necessary to ensure effective internal markets. There is no doubt about it that there is a need for goods and services in the homes, when electrification is there. There is no doubt about it that if the people had the purchasing power in the agricultural areas they would buy those services. There is going to be a large problem, seeing to it that there is that effective market internally, or seeing to it that these primary producers and primary workers have sufficient return for their labour to make it possible for them to purchase goods. I think that internal economy problem should be met. I was wondering whether the committee has dealt with any of those questions?—A. I can only say this, as I said at the beginning, that we are basing our whole thinking on the endeavour to maintain employment at a high level in Canada after the war as far as possible through the remodelling and developing of industry, but where necessary by government works, public works, in order to maintain this employment level, on the general basis that it costs less in the long run to have full employment than to have partial employment or semi-unemployment. If there is relatively full employment, the market situation that you speak of will in a large measure take care of itself. We come back always to the question of endeavouring to meet that unemployment situation by ways and means which by correct timing, work in to a fairly high level of continuous employment. That may answer, in part at least, your question.

The CHAIRMAN: Are there any other questions? If not, I will thank Doctor Wallace for his presence here to-day.

The next meeting will be dealing with the particular question of the coal problem in Nova Scotia. You said a while ago you did not know very much about the coal problem in Nova Scotia, or not so much as about the problem in the west.

The WITNESS: Yes.

The CHAIRMAN: I am sure every member of this committee would be glad to have you present, if you could be present with us and perhaps advise us as our discussion goes on.

The WITNESS: Thank you very much, Mr. Chairman.

The CHAIRMAN: A motion to adjourn is in order.

Mr. McNIVEN: I move that we adjourn.

The Committee adjourned at 1 p.m. to meet again Monday, at 11.00 a.m.











Canada, Reconstruction and Re-establishment  
SPECIAL COMMITTEE  
HOUSE OF COMMONS

- 42 R26

SPECIAL COMMITTEE

ON

**RECONSTRUCTION AND RE-ESTABLISHMENT**

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

MONDAY, JULY 13, 1942

WITNESS:

Mr. F. G. Neate, Coal Administration Branch,  
Wartime Prices and Trade Board

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942





## MINUTES OF PROCEEDINGS

MONDAY, July 13, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.00 o'clock, a.m.; Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Bertrand (*Prescott*), Black (*Cumberland*), Castleden, Gershaw, Gillis, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Matthews, Maybank, Quelch, Ross (*Middlesex East*), Sanderson, Stirling and Turgeon—15.

The following members of Parliament (not members of the Committee) were also present: Mr. MacLean (*Cape Breton North-Victoria*), Mr. McCulloch and Mr. McGarry, and by leave of the Committee, questioned the witness.

Mr. J. E. Mackay, Secretary to the Advisory Committee on Reconstruction, was in attendance.

Mr. McNiven referred to certain questions asked at the previous meeting which implied that the water supply in the West was neither adequate nor suitable for industrial development, and he emphatically denied that any justification existed for giving such an impression.

Mr. F. G. Neate, of the Wartime Prices and Trade Board, Coal Administration branch, was called and examined on the Nova Scotia coal industry. It was agreed to continue inquiry into this question at the next meeting.

The witness retired.

The Committee adjourned at 1.00 p.m. to meet again on Thursday, July 16, at 11.30 o'clock a.m.

J. P. DOYLE,

*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

July 13, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11 o'clock a.m. The Chairman, Mr. J. G. Turgeon, presided.

The CHAIRMAN: Gentlemen, at the last meeting on Thursday morning it was decided that we proceed to-day along the lines of the resolution adopted to deal with proper utilization of our natural resources, and in that regard we have here as a witness this morning Mr. Neate. As you know Mr. Neate is Deputy Coal Controller for Canada. I am going to ask Mr. Neate if he will tell us some of the things that are in his mind then he will be open for questioning.

Mr. McNIVEN: Before the witness proceeds, Mr. Chairman, may I make one observation arising out of the evidence given at our last session. As you will recall, Dr. Wallace was our witness, and during the progress of his evidence he was asked certain questions by Mr. Harris relative particularly to western Canada. Those questions indicated that the type of water and the scarcity of water in western Canada were practically insuperable obstacles to industrial development in western Canada. Dr. Wallace answered that question to a certain extent when he indicated that both Calgary and Edmonton were situated upon flowing rivers. Likewise the city of Saskatoon is situated on a river, the south Saskatchewan. I would point out too that the city of Prince Albert is situated on the north Saskatchewan river. The city of Winnipeg, as you know, is at the confluence of the Red and Assiniboia rivers and the city of Brandon is on the Assiniboia river, and there is an inexhaustible supply of water in all of those rivers. So far as the other large centres are concerned, that leaves the city of Regina. The city of Regina is situated practically on an underground lake. There are at least now 120 artesian wells about eight or nine miles northeast of the city where water is found at a depth of from 90 to 180 feet. There is a subsidiary supply about six miles straight east of the city known as Mallory Springs; there is another supply nine miles northeast of the city known as the Mount Springs. During the whole of what has been referred to as the drought period the water level in those wells did not recede more than two feet, so we think that in the city of Regina we have practically an inexhaustible supply of good water. That is further evidenced by this fact, that the Imperial Oil Company, having a very large refinery there, has drilled wells on its premises; the Associated Breweries, and Brewery's Limited, Brewery, have wells on their premises right in the centre of the city; General Motors have two wells where they get water at a depth of 180 feet; also the T. Burns abattoir gets water there. It is true that the water is hard, it has to be treated; but that is not an insuperable difficulty as evidenced by the fact that those industries are located in Regina and that the C.P.R. and the C.N.R. have very extensive roundhouses there and the C.P.R. operates a ten-story hotel. The water supply is really inexhaustible. I would not like this committee to go on record with an indication that the scarcity of water is an insuperable difficulty in the placing of industrial plants in western Canada or in Saskatchewan particularly. I am very much afraid that some of our eastern friends pick upon some little incident and magnify it into a reason why the west will never be industrialized.

The CHAIRMAN: Thank you, Mr. McNiven. If there are no further questions I will call on Mr. Neate to give his evidence now. Mr. Neate will be subject to questioning afterwards, I suggest, not only along the lines of the evidence he submits but in connection in coal in general.

F. G. NEATE, Deputy Coal Controller, called.

The WITNESS: Mr. Chairman, I shall be prepared to answer questions. I think, probably, the coal situation in Canada is fairly well known to all members. Sometimes we are faced with the difficulty of finding markets for our coal; to-day we are having great difficulty in finding coal for the markets with the exception of Nova Scotia where we are mining coal faster than we can move it. The coal problem in this country is one mainly of transportation. Since the last war—and history is repeating itself—I will deal with Nova Scotia for the moment—

The CHAIRMAN: We are dealing with Nova Scotia in particular.

The WITNESS: Yes. The Nova Scotia coal industry has found quite a profitable and extensive market in the St. Lawrence area, and up to about 1916 and 1917 we were moving over two and one-third million tons up the St. Lawrence. In 1917 and 1918 that market gradually dwindled to 130,000 tons, and for some seven years great difficulty was experienced in marketing Nova Scotia coal generally. In 1923 the government of the day then initiated the subvention policy. Since that time we have spent somewhere in the neighbourhood of \$30,000,000 moving coal from Nova Scotia to Ontario and Quebec markets, and that \$30,000,000 I would say, also includes \$10,000,000 which was spent on western coal moving down to Ontario. In the early days we even subsidized coal going to Manitoba. As far as I can see, I do not think the subvention policy will ever cease if we are going to market Canadian coal in Canada. We are spending at the rate of about \$4,500,000 a year now, and if we are, we will say, to maintain and not extend the markets for Canadian coal in Canada I do not think we can do it under \$5,000,000 at the very minimum, and it may be \$10,000,000 before we get through. The subvention policy, as you know, is based on competitive factors of bringing American coal into this country. Ten years ago you could bring American coal into the Ontario markets at as low as 50 cents a ton at the mine. We cannot mine coal in Canada at 50 cents a ton. Nova Scotia has one of the most difficult mining conditions, I suppose, on this continent. You all know the reason: they are out from 3 to 3½ miles under the sea. You have extreme conditions of ventilation, they have not the gravity mining conditions that they have in some parts of southern and western Virginia where they can bring coal out and put it on a car for \$1 a ton. I have not prepared a statement; I am just making a few remarks as I go along and will await your questions later.

In Nova Scotia I doubt if we will have any marked increased capacity. I think, probably, 8 to 8½ million tons under existing conditions would be about the maximum that can be produced down there, although estimates have been made that the production could be increased up to 10,000,000 tons. If production were increased up to 10,000,000 tons I doubt very much if we could do it within a period of from three to five years.

Mr. MAYBANK: Is that annually?

The WITNESS: Yes.

Mr. CASTLEDEN: What was it last year?

The WITNESS: 7,300,000 tons last year and 7,800,000 tons in 1940. This year we are hoping to have 7½ to 8 million tons, but the whole trouble again is transportation. We are also faced with the difficulty of maintaining labour; enlistments and recruitments are taking a very heavy toll from our coal mining industry to-day, and only as late as Saturday last the Director of National



Selective Service together with the military authorities made an announcement, I will not say to discontinue recruitment but to discourage recruitment from among mine labour. We cannot maintain production and we cannot maintain our coal production in this country if any more men leave the mining industry. At the present moment we have at Sydney three-quarters of a million tons of coal in bank which we cannot move due to a shortage of shipping and railway facilities.

Mr. BLACK: How much is that?

The WITNESS: 750,000 tons.

Mr. CASTLEDEN: That is in Nova Scotia?

The WITNESS: In Nova Scotia alone, at Sydney. The British Ministry and the company chartered boats and had hoped to have at least fifteen or sixteen boats running by the 1st of July. We have not got them, gentlemen, and that coal is still there; and if we do not move it we are going to be faced with the difficulty of probably losing it, because it is heating in spots at the present time. The railway facilities from Sydney to Truro are such that we can only move a certain quantity of coal by rail. We had meetings last spring with the Minister of Transport and the Board of Transport Commissioners with a view to taking off one of the trains from Sydney to Truro—that is the day train. By so doing we could get an extra train. That would take off fifteen cars and would give us a coal train which would move an additional 18,000 tons of coal a month which would give us a backlog between now and the end of navigation of probably 100,000 tons of coal.

*By Mr. Black:*

Q. Will you give us a figure of how much we can move a month?—A. In April, May and June we actually brought up by rail to the St. Lawrence, 102,000 tons from Nova Scotia, and we brought up by water 193,000 tons. That makes a total of 290,000 tons brought up in April, May and June. If we are going to maintain our schedule up the St. Lawrence this year we have got to move from now to the end of November 221,000 tons a month either by rail or by water or by both, and we are not doing it.

Q. How much is that again?—A. 221,000 tons a month from July to the end of November. At the present time, in April, May and June we only brought up 17·6 per cent of our total requirements as against 28 per cent of our requirements coming in from the United States, and even at that we are 40 boats less on the lakes bringing it in this year. We had an earlier start and we are maintaining distribution much better. Any increase in the market for Nova Scotia coal—and I am taking the post-war period—can only be achieved, I think, by an increase in steel production, possibly transportation and possibly by bunkers.

*By Mr. Maybank:*

Q. What is that?—A. Any increase in production in Nova Scotia mines would have to be predicated upon increased steel production in the Maritimes or increased railway coal or increased bunker. Other than that we have to look to the St. Lawrence market and the Ontario markets to distribute Nova Scotia coal.

Q. In other words, am I getting that right that what we have to do is establish something there to use the coal?—A. Absolutely.

Q. That is the problem.

*By Mr. McKinnon:*

Q. Do both railways use Nova Scotia coal as steam coal on their locomotives?—A. Yes, up till the war we moved Nova Scotia coal as far west as Windsor. We moved it as far north as Kapuskasing. We moved it right into Georgian Bay and even the Owen Sound district.

In 1937 the United States authorities objected to the subvention policy and a committee was formed both here and in Washington to see if something could be done with respect to what they termed the orderly marketing of Canadian coal. They objected to the Canadian government subsidizing Nova Scotia coal to enter markets which they had built up over a period of 75 years, and they objected very strenuously.

*By Mr. Maybank:*

Q. Meaning the market in Canada?—A. Yes. They said, "We have built up this market to some extent. You have depended on us to supply you in times of stress with coal. We want you to play fair with us. We will keep out of some of your markets if you will keep out of some of ours," and at that time we did more than make a gesture. We reduced the subvention to a slight degree, and I think probably a little less coal did go into Ontario but less American coal did go into the province of Quebec so it was a saw-off, but to-day, gentlemen, we are faced with this issue; we have to beg now to get coal from the United States. In 1939 we were quite content; we brought in about 10,000,000 tons. In 1940 we brought in 13,600,000 tons and in 1941 it was 18,000,000 tons. I doubt very much this year if we can get along with less than 20,000,000 tons, and we have to consider what is going to happen after the war. We are begging now for 20,000,000 tons of coal where in ordinary times 10,000,000 tons is all we will require, and we will be flooded with American coal after the war the same as we were in the early thirties. We will have to look ahead, what policy will this government follow or what policy will the government follow? The only way it has been met in the past is by payments out of the treasury and if we are going to market Nova Scotia coal after the war in competition with American coal there is only one way to do it. Some one has got to pay the difference. Whether it is the public or whether it is the government I don't know. I think probably it would be the government. We have had this policy in effect now since 1923 and we have moved probably 30,000,000 tons of coal which probably would not have been moved, and the subvention policy actually equals about 24·6 per cent of the miners' wages in Nova Scotia.

*By the Chairman:*

Q. What percentage?—A. 24·6 per cent.

*By Mr. Maybank:*

Q. What about the profits of the companies?—A. I think I can answer that question—

Q. Have they been high, low or medium?—A. Last year I think the profits of the company were about—I can answer that question right now. The total profits on Nova Scotia last year, 1941: it was a loss of about 2 cents a ton, but the year before they made 6 cents a ton and the year before that they made 5 cents, and it has varied all the way. In 1934 they made 6 cents. In 1935, 1936, 1937 and 1938 they showed losses. In 1939—

*By Mr. Black:*

Q. What losses?—A. In 1935 a loss of 8 cents, 1936 a loss of 6 cents, 1937 a loss of 6 cents, 1938 a loss of 6½ cents, 1939 a profit of 5 cents, 1940 a profit of 6½ cents, and 1941—it is only a preliminary estimate—I believe there is a loss of about 2 cents a ton.

*By Mr. Maybank:*

Q. Do you mean by that in the case of a loss that it was a net loss and if that was kept up more money would have to be paid in by the shareholders,

and do you mean in the case of a profit that is a net profit and payable in dividends?—A. These losses naturally would be after payment of income tax, dividends, bond interest, and so on.

Q. Depreciation?—A. Depreciation, yes.

Q. And all the necessary reserves?—A. Yes.

Q. All that sort of thing?—A. Yes. These cost studies commenced in 1930, and I think they are a fairly accurate record of the actual cost of mining in each area and each province throughout Canada, and naturally these studies are available to the members. In the summation of these costs we deal with labour, stores, power, insurance, taxes, royalties, rents, workmen's compensation, administration, interest, miscellaneous expenses, cost f.o.b. cars, depreciation, and so on.

Q. I think you said about \$30,000,000 subvention part of which was western Canada?—A. I can give you that, Mr. Maybank. It is a total of \$28,205,000 of which \$18,145,000 is Nova Scotia.

Q. We will call it for conversation's sake \$18,000,000; over that period at such and such a price per ton with a loss in one case and a profit in another case did the total of that come to that \$18,000,000?—A. The total subventions paid from 1928 to 1941 on the mining of Nova Scotia coal, transportation, and assistance generally—that is not counting assistance to Nova Scotia coal going into coke plants—is \$18,145,000.

Q. Now, what over the same period was the net profit of the Nova Scotia industry?—A. That is a question. I am not so sure whether I could just answer that offhand. I would say for Nova Scotia from 1933 to 1940 there have been three years showing a profit and the other years have shown a loss.

Q. And would those three years showing a profit total \$18,000,000?—A. Oh, no. In fact, I am just wondering whether I have the Nova Scotia financial structure of all the mines with me.

The CHAIRMAN: I suppose we could let that question stand.

Mr. MAYBANK: Perhaps it would be satisfactory if you would let us know that at a later time.

The WITNESS: I shall be very glad to.

*By Mr. Maybank:*

Q. You said a few moments ago that the Nova Scotia subventions equalled such and such a percentage of the wage bill?—A. That is right.

Q. You see what I am aiming at. I am just wondering to what extent they showed profits, you see?—A. I quite see your point.

Q. You can give us a memorandum on that at your convenience and that will be satisfactory.—A. Yes. The total wages paid in 1940 were \$16,000,000 in Nova Scotia and the actual earnings per man from the subvention were \$322.40 which represents 24.7 per cent of the total wages paid. That was 1940 and in 1941 there was very little difference. In fact, from 1933 to 1940 the subvention reflected in the actual earnings varied from 30, 27, 27, 25, 25, 26, 32, 24 per cent so that without the subvention policy there would have been just about 25 per cent less paid to the miners.

I think, gentlemen, I have covered in a very broad and probably brief way the Nova Scotia coal situation from the last war to the present, and I think probably we might get along a little faster if I subjected myself now to questions from the members.

*By Mr. McNiven:*

Q. What is the subvention rate per ton?—A. It varies, Mr. McNiven. There are maximums and minimums, you might say. The average for the whole of Canada—

Q. I mean in Nova Scotia coal?—A. On Nova Scotia coal last year it averaged \$1.39 a ton.



Q. That is applicable on what tonnage?—A. That was applicable on 2,000,000 tons.

Q. Delivered where?—A. Mostly to Quebec; Ontario is out of the Nova Scotia market to-day and, in fact, we are taking American coal east as far as Riviere du Loup. We find great difficulty in supplying our requirements even in the province of Quebec with Nova Scotia coal.

Q. There is no subvention on Nova Scotia coal delivered in Quebec?—A. Yes, there is a difference between the boat rate in the year 1940 and the boat rate of to-day. That is equalized by the government at so much a ton. Last year we paid \$1.00 a ton.

*By Mr. Maybank:*

Q. It is since the outbreak of the war?—A. Yes. There was no subvention paid on water-borne coal prior to 1941. Last year we paid \$1 a ton.

*By Mr. Castleden:*

Q. Is there any Nova Scotia coal going into the United States?—A. Very little; I would say probably some Springhill maybe going over to Madawaska just across the New Brunswick border but I believe that is being discontinued. We are maintaining that market for Springhill coal right in the Maritimes to-day, but they did have an export market of probably 20,000 or 30,000 tons of coal, and a little New Brunswick coal goes over there as well.

*By Mr. Maybank:*

Q. Mr. Neate, you remarked the only hope you saw for using more Nova Scotia coal was an increase in industries in the Maritimes, and likewise I suppose that would apply if we could get industries established in larger numbers in Quebec, and the closer in Quebec to the Maritimes the more chance of Nova Scotia coal being used; is that right?—A. That is absolutely right, Mr. Maybank.

Q. There is another question in my mind relative to after the war. Your comment was that we are going to be flooded with American coal?—A. That is right.

Q. Do you know whether new mines or disused mines are being brought into production in the States? That is, are they getting down to procuring coal from places that in peace times were what we call sub-marginal as to profit?—A. Production has jumped 100,000,000 tons a year in the United States since the war.

Q. What percentage would you give as to the 100,000,000 tons? What does that indicate?—A. Production in the United States to-day is running close to 600,000,000 tons as compared with 500,000,000 tons before the war.

Q. Does that extra 100,000,000 tons come about by reason of them bringing into production some mines where the return is proportionately less than it is on those that were in production before?—A. Mines have been brought into production since the war which probably they would hesitate to bring in when the demand was less. The greater production in the United States to-day—not equalling the 100,000,000 tons, I do not wish to infer that—is largely strip operations in Ohio and particularly in Indiana. The Fairmont, southern West Virginia, northern West Virginia fields have also increased production considerably. Central Pennsylvania, Reynoldsville, is down about 15 per cent due entirely to the same difficulty as we have up here, recruitments. They cannot get the labour to maintain production in the central Pennsylvania field.

Q. Southern Pennsylvania?—A. Central Pennsylvania. Therefore, following your line of reasoning with this free coal on the market after the war competition is going to be more than free. As I say, I remember the time—and probably you members remember the time—when you could pick coal up delivered for

25 cents a ton f.o.b. cars, and it was dumped across into the Ontario market to the detriment of our own mining industry, and we were seeking markets. Putting a fair market value on coal coming in did not solve the problem. We just had to increase our subvention allowance to meet it, and that is what we did, and during that time the United States producers were losing money hand over fist, and that is what brought about the creation of the United States Bituminous Coal Commission. To-day we are being faced with maximum prices, not minimum prices.

The CHAIRMAN: Pardon me, Mr. Maybank, but I know that Mr. Bertrand has to leave and he tried to ask a question a while ago.

*By Mr. Bertrand:*

Q. The difficulty of not bringing any more coal into Quebec at the present time is due to transportation?—A. Entirely.

*By Mr. Maybank:*

Q. At the moment?—A. Yes. If we had a million tons to bring up and we had the transportation to move it it would solve some of our headaches to-day, and it is a serious matter now of supply.

*By Mr. Bertrand:*

Q. Is there any chance of more being transported by water from Canso?—A. We have a scheme under way at Pointe du Chêne where we are hoping to bring up a maximum of 400,000 or 500,000 tons next year but I doubt very much if we will bring up 100,000 tons this year. They say the plan will be in operation by the 1st of August. I would say the 1st of September. I cannot see any help from the Pointe du Chêne or Chediac proposal. The bottleneck from Sydney to Truro across the Straits is the difficulty. For \$25,000,000 or \$30,000,000 you could re-line that whole track from Sydney into Truro and you could put a lift bridge in across the canal at the Straits of Canso and you would have something permanent for the future. To-day we haven't got it. You have got one single track to bring that coal into the lower provinces, the mainland of Nova Scotia and into Quebec. It is the Burma road again. You could smash it with one bomb. Then what would happen to Cape Breton to-day? There is no other way. You cannot bring it up by wheelbarrow. It is either by water or by rail.

*By Mr. Maybank:*

Q. What is the possible movement over a single track in 24 hours?—A. I believe, Mr. Maybank, the maximum car movement over the ferry is in the neighbourhood of 188 to 190 cars a day.

Q. 188 to what?—A. 188 to 190.

Q. We will talk about 190 then.—A. I am subject to correction there.

Q. Those trains are not very heavy there?—A. No, you have got both grades and curvature to contend with. There are three passenger trains a day.

Q. I mean coal cars, coal trains. Would there be 60 cars? I doubt if they would pull 60?—A. I think at the present time they are running in the neighbourhood of probably 130 freight cars a day across.

Q. 130 freight cars a day?—A. Yes.

Q. Do you know what number of cars they haul in a train down there, freight cars?—A. No, I don't, Mr. Maybank. It is no good guessing at these things. I would say fifteen cars would be your maximum.

Q. Fifteen cars in a freight train?—A. I say fifteen cars is what they will give us if they take that day train off.

Q. I was not dealing with that aspect of it. I was really dealing with the capacity of the railroad to haul.—A. The capacity of the railroad to haul cars from Sydney into Truro would be in the neighbourhood of 188 to 190 cars a day.

*By the Chairman:*

Q. How many trains a day?

*By Mr. Maybank:*

Q. In other words, how many cars of coal do they customarily haul in a train?—A. I don't know what number of cars they put on that run but I imagine it would not be more than fifteen to twenty. I do not think so, because you have got both grades and curvature there. You have that to contend with which you have not on other divisions.

Q. I do not think I will follow that any further.

The CHAIRMAN: What do you say as to that, Mr. Gillis?

Mr. GILLIS: Around twenty.

*By Mr. Maybank:*

Q. I do not need to follow that any further. What I was thinking about was building a railroad over any particular spot and to what extent that permits additional tonnage?—A. Your tonnage would be unlimited if you had a double track.

Q. Not unlimited, only a certain number in twenty-four hours?—A. When I say "unlimited" we would not have a transportation problem if we had the railway to haul it out of Sydney.

*By Mr. McKinnon:*

Q. Is the bottleneck at the ferry?—A. Yes, very much so.

Q. Because when you say 190 cars a day is the capacity that they can handle that seems to me a ridiculously small number of cars to be handled by a railway even if it is a single track railway, if it is a railway at all?—A. I think you will find it is in that magnitude, 188 to 190 cars a day, ferry capacity.

*By Mr. Maybank:*

Q. Speaking of the Nova Scotia picture and independent of bottlenecks and transportation difficulties and all that sort of thing you have in the Nova Scotia mines apparently a permanent and inescapable difficulty of higher costs; am I right?—A. You are right.

Q. You said ventilation difficulties add to the cost.

Mr. GILLIS: I would not say it is permanent and inescapable.

The CHAIRMAN: I was just waiting for that.

Mr. MAYBANK: I am not making a statement. I just want to find out.

The WITNESS: We will take the last eight or nine years. Labour has not been increased considerably. It averaged \$1.81 a ton in 1933 compared with \$1.92. There is no great increase.

*By Mr. Maybank:*

Q. How does the labour cost compare with American labour costs? I apprehend that in some parts of the States they have darky labour which is usually cheaper?—A. In the southern field you have considerable black labour.

Q. Black meat costs less?—A. There is no doubt about that. Take, for instance, f.o.b. cars, in 1933 it was \$3.23 compared with \$3.16 in 1940. There is a reduction, you see. There is no doubt about it if you have a good year your costs are down. If you have a poor year your costs are up.

Mr. GILLIS: Mr. Maybank's point wants to be clarified. He made a point about labour cost—



Mr. MAYBANK: No, I did not, excuse me. I was not thinking of that. That was the answer that came back from Mr. Neate. I was thinking about certain other permanent costs that do not apply to labour.

*By Mr. Gillis:*

Q. Wage rates in the United States are higher?—A. Much.

Q. Although the operating cost in Nova Scotia is much higher than it is in the States from other factors?—A. Quite correct.

Q. But Mr. Maybank's question there and the answer could be misunderstood.

*By the Chairman:*

Q. What makes the increased cost of operation if it is not based on labour? As a matter of fact labour is less costly in Nova Scotia, you say, than in the United States?—A. Yes.

Q. And the total cost of production is much higher. What makes the difference? Can you answer that?—A. Well, we will say there has been an increase from 1 cent to 7 cents in income taxes alone.

*By Mr. MacLean:*

Q. What is the difference in the cost, without the addition of the subvention, of a ton of coal delivered in Toronto from the United States and a ton from Nova Scotia?—A. In the neighbourhood of \$2 a ton. It would be in the neighbourhood of \$2 a ton.

Q. You mean you would have to pay \$2 subvention to get on an equal basis?—A. Yes, we paid as high as \$2.50 to move Nova Scotia coal into Toronto terminals for Canadian National consumption. That was the maximum we have paid and that is the maximum which the government has given us up to date.

The CHAIRMAN: May I have just one word here, please. Gentlemen, there are three members here from Nova Scotia who are not members of the committee and one of them has just asked a question. I am sure the committee has no objection to those members of the House asking questions?

Mr. MAYBANK: No.

The CHAIRMAN: I just want it officially on record.

Mr. BLACK: I think we should finish Mr. Neate's statement or we are going to have disjointed evidence. He was giving us the additional cost of coal production in Nova Scotia.

*By Mr. Maybank:*

Q. I want to follow that question and answer that Mr. Gillis was talking about.—A. Would you state the question again?

Q. My question originally was this: I apprehend from what you have said there are certain permanent and inescapable costs which are higher than other places, that there is a permanent and inescapable adverse differential we have to take care of in Nova Scotia. I do not make that as a statement. I say I apprehend that is the case from what you have said?—A. Yes.

Q. Now, you in answering touched on the labour question. I did not have that in mind.—A. Which is not the answer.

Q. I did not think it was the answer. What is the answer to my question?—A. The answer, Mr. Maybank, is this, that mining conditions generally in Nova Scotia are more expensive than in many other areas, and particularly areas in the United States.

Q. Why?—A. One of the reasons, and quite a good reason, is that they have more surface labour per ton in Nova Scotia than they have in other fields.

*By Mr. McCulloch:*

Q. How many tons of water do they have to bring up for every ton of coal?—A. That is part of your operating costs, Mr. McCulloch, but if the members would like a full statement of the reasons for increased costs in Nova Scotia I will be glad to submit that to the committee. In fact, I submitted it two years ago to my minister.

Mr. MAYBANK: I think it would be very useful because it arises out of the general thought as to what can be done after the war. That is where the question derives from and such a memorandum will be very useful.

The CHAIRMAN: We will have that submitted.

The WITNESS: I think I presented that to you two or three years ago, Mr. McCulloch. You asked the same question in the House.

*By Mr. Gillis:*

Q. Mr. Neate, I would like to follow that question of the profits a little further. You made a statement that your department or the department you work for carefully check the cost sheets of the coal company with respect to their profits, and in connection with that you stated that 26 per cent of the total wage bill of the industry in Nova Scotia was paid for by way of subvention?—A. That is right, sir.

Q. Do the company when compiling their cost sheets show that 26 per cent or the subvention they are paid in their income?—A. I could not say, Mr. Gillis.

Q. I do not think they do.—A. I do not think so.

Q. Because I have gone over them.—A. As you know we have to depend upon auditors' annual statements. In the auditors' annual statements we have to have a further breakdown and as you know our cost audit sheets which we send really is the detailed part of the auditors' annual report. We depend on that exactly the same as you would.

Q. They show their total wage bill as an operating cost?—A. Yes.

Q. But they do not show the fact that the government takes up or absorbs 26 per cent of that wage bill by way of subvention so the report in that respect is not complete.

Mr. MAYBANK: Do not show which?

Mr. GILLIS: Twenty-six per cent of the total wage bill is paid them by way of subvention but they do not show that 26 per cent. They show the wage bill as an operating cost but they do not show this 26 per cent. They do not show it by way of income they received from the government.

*By Mr. McNevin:*

Q. Are these subventions paid to the company?—A. Not necessarily; they may be paid to the railways. They may be paid to the railways or the company as the case may be. I have a list of the payees to whom we pay this amount. Answering Mr. Gillis' question as to the net total wages paid per year, actually paid by the company, not taking into consideration government subsidies, the total wages paid per year is \$16,800,000, and that worked out to an average of \$1,304. The amount of subvention was \$2,600,000 or the equivalent of \$322 or 24.7 per cent. That is giving you the flow of the total and the actual. That can be amplified any way you wish.

*By the Chairman:*

Q. If the company received that subvention or any part of it their records would show it in some form or other?—A. It would.

*By Mr. Gillis:*

Q. I have gone over their balance sheets several times for 1940 and 1941 and it certainly does not show any payment from the government by way of subvention?—A. No, I don't think so. I think this would answer Mr. McNiven's question. Last year we paid \$2,190,000 to Nova Scotia. The Canadian National Railways got \$292,000. The Canadian Pacific Railway got \$18,000. The Cumberland Railway got \$2,800. The Dominion Coal Company got \$1,600,000; that was all water transportation. The Maritime Coal Railway & Power got \$3,000. The Sydney and Louisburg Railway got \$269,000. That \$269,000 may be somewhat clouded in the minds of the members because they only got probably about 5 and 6 cents out of each dollar that is paid. They pro rated to the main carrier, the Canadian National Railways, the rest of that assistance so while it is an actual payment to the F. & L. the C.N.R. got 92 cents out of every dollar paid.

*By Mr. Maybank:*

Q. Does a subvention company or industry pay income tax upon the subvention?—A. I would not think so.

Q. Let us look at it this way. Our total receipts are \$6 for the sale of our commodity and we get a subvention of \$2 so our total receipts are \$8 and by the sale of our commodity we receive \$7. We finally wind up with a net profit of \$1 or a profit before taxation of \$1. Now then, out of that \$1 we give Mr. Ilsley something in income tax. Is that the way it is cut up because, if so, we pay upon the subvention which we have received but if we forget about the subvention and talk about the \$6 then, of course, we never get to the point of profit and naturally we do not give Mr. Ilsley anything; but continuing it and giving a third example, let us say our total income is \$6 and say nothing about a subvention, and we show by the sale of our commodity that we have obtained \$5.50 and we show 50 cents profit. Upon that 50 cents profit we give Mr. Ilsley something. We are not paying income tax on the subvention there, and by the same token the subvention is larger than \$2 and is larger than what the country believes it to be. It is surely important whether the subvention is taken in early or late.—A. I think you will find the subvention will be taken into the annual earnings of the company.

Q. The annual which?—A. The annual earnings of the company. If you do not pay the subvention and if you do not move that coal the annual earnings of the company would be less. The more subvention you pay the more coal you move and the greater the capacity of the company to earn.

Q. You think the subvention is in there equally as early as the payment by the man that bought the coal in the book, equally early as the payment by the man who bought the coal, the consumer?—A. I would say, Mr. Maybank, the subvention paid would be reflected in the annual earnings of the company, whether it be the Canadian National Railways or another transportation company or even the company itself. If, for instance, we pay \$1,600,000 to transport 1,600,000 tons up the St. Lawrence that naturally is reflected in the earnings of that company during the year. If you do not move that 1,600,000 tons there would be that much coal less mined and not produced.

Q. I think I have been on the wrong track there. The subvention is not paid to the man who takes the coal but it is paid to the fellow who buys it; not to the fellow who buys it but the first buyer.

MR. GILLIS: It is paid to the company that sells the coal.

THE WITNESS: Or to the transportation.

THE CHAIRMAN: It is applied to carrying.

THE WITNESS: The transport companies get the major portion of the subvention.



*By Mr. Gillis:*

Q. You showed over \$1,000,000 paid to the Dominion Coal Company?—

A. That is right, on boat charters alone.

Q. That was paid direct to the company?—A. Yes.

Q. And to determine the real earnings of that coal company you have got to take your shipping company into consideration, too?—A. That is right. It is a subsidiary.

Q. But the statement you have made here so far has been coal exclusively?—A. Yes.

Q. Another thing I would like to find out—we will find out more about this 26 per cent, I hope.—A. I will be glad to give you this—

Mr. McCulloch: There is very little of the subvention goes to the coal company.

Mr. Gillis: There is \$1,000,000.

The CHAIRMAN: Gentlemen, just one moment, please. I would like Mr. Gillis to be allowed to continue his questions for the moment.

*By Mr. Gillis:*

Q. Just a moment ago in giving the subvention paid you stated specifically that over \$1,000,000 was paid to the Dominion Coal Company?—A. Yes.

Q. That is true. That went to the Dominion Coal Company, Mr. McCulloch. What I would like to find out is this: in making your analysis of the earnings of the company how carefully is that checked? Do you accept the statement of the company and merely audit that statement or do you make an examination?—A. No.

Q. —of their operations to determine whether that statement is correct or not?—A. We accept a signed statement of a responsible officer of the company and it is checked with their annual audited report.

*By Mr. Castleden:*

Q. Government auditor or company auditor?—A. Company auditor. Mr. Gillis, may I say one thing in connection with the \$1,600,000 which we paid the Dominion Coal Company on transportation by water of coal last year? The reason that was necessary was that the boats for charter trips were increased by approximately \$1 and some odd cents per ton over and above the previous year, and to move that coal up the St. Lawrence at, we will say, the previous year's prices to meet competition then the government had to pay the difference between the 1940 charter rates and the 1941 charter rates. This year it will be in the neighbourhood of \$1.51 per ton as far as we can see it now instead of \$1 last year. Those charter rates have gone from 91 cents in 1940 to \$2.42 in 1942.

*By Mr. Gillis:*

Q. That was because of increase in insurance?—A. Insurance and war risks and, of course, with the situation on the St. Lawrence as it is to-day we don't know where those rates are going.

Q. The point that I was trying to make is this, that you cannot make an examination of the earnings of any of these coal companies without making an examination also of their subsidiaries.—A. That is right.

Q. In the particular instance mentioned there the coal company owned its boats, most of them?—A. Three or four out of sixteen.

Q. Previous to the war they did?—A. Practically 100 per cent.

Q. When you are paying a subvention on the cost of water borne coal you are paying that subvention to the same company?—A. Unless they are chartered boats from the British Ministry as they are to-day.

Q. That is the war situation?—A. Yes. Prior to the war they did their own chartering.

Q. We have very little jurisdiction over these amounts. We will have to handle it as best we can. What I am concerned with and what the committee is concerned about is what it is going to be like after the war is over and what the potential possibilities of the coal trade are and how far it will help to absorb men coming back from overseas. Now, I just wanted to point this out, that this business of determining the income of the company is a pretty sore spot with those who negotiate wages with them, and any time you go in to negotiate a wage contract with them you get the coal end of it only, or if it is the steel workers they get the steel end, and you cannot determine the earnings of any of them unless you can get all their subsidiaries. I have it in mind that in the last ten years they ploughed back \$20,000,000 in the industry on these plants they created for themselves. That is charged against operation. It is charged up to the operating cost of the coal instead of being charged to capital account.—A. That has been the practice.

Q. That happened in the last wage agreement. This coal company we are talking about own and control 26 subsidiaries across the country from wire and nails, shipyards, lumber, clean into Ontario here.—A. And into Ojibway.

Q. They can buy out a wire and nail mill in Ontario and they can charge it up to the operation of coal. It is shown as an expense?—A. It seems hardly fair.

Q. It isn't fair. That is exactly the position we are in and the government are never going to get a better check on exactly how that coal situation stands financially, what the policy of expanding it is going to be, until they go into the whole financial structure in that corporation which has a virtual monopoly to-day. That is why I am very skeptical as to the figures presented by Mr. Neate with respect to that business of coal because we have had a lot of experience. For example, in 1927 we brought Gordon Scott in ourselves. We employed him at that time ourselves, the mine workers union, and he spent three months on the company's books. He came before the convention of the mine workers in 1927 and he said then that if the Dominion Coal Company were operating as an independent coal company the miners of that company would be justified in asking for a 75 per cent increase in wages based on the earnings of that coal company but because of the fact that it is tied up with Acadia which was down at that time, Nova Scotia steel, shipyards in Halifax which were not working at all, car works in Trenton which were down flat, as a result of that you could not ask for anything.

Mr. McCulloch: The car works at Trenton has showed a profit.

Mr. Gillis: That is since. I am talking about 1927. I just wanted to make that point for Mr. Neate's information.

The WITNESS: Mr. Gillis, the only answer to your question is that in 1930 to endeavour to find out what it would cost to mine coal throughout Canada we devised a formula which would apply to every coal mining company and to every coal mining area. We did not say that we wanted this particular information from one company and something else from another. We drew this form up. You have had copies of them, and they have been standardized, regularized, and as far as we can gather—we have made several test checks—I think the actual costs given are as accurate as they can be determined without a full audit division to do it. We wanted to find out a little information ourselves. If we are paying out \$4,000,000 a year of public money the government and the members are asking questions, why are we paying out that much money, and I have got to give my minister and I have got to give this committee information which they ask, and if you have in your mind some other method,

some idea as to changes, I would welcome them very much because this has been the result of twelve or thirteen years pretty steady study annually, and I am satisfied that these figures are as accurate as we can obtain without the service of an audit department.

*By Mr. Gillis:*

Q. That is on the operating cost of coal?—A. Yes. I do not deal with profits or subsidiaries or anything like that.

Q. But it is in the juggling from one subsidiary to another.—A. I can see your point. That is somewhat outside of our sphere.

Q. That is exactly the point that the conciliation board ran into, the restricted terms of reference. Men that sat on the board said, "Well, we went in there to probe on coal only. In looking into that we can see something over here that is absolutely wrong but we cannot touch it. It is beyond our terms of reference." Until someone takes the authority to make a complete examination of the whole thing, stand it on its feet and put it in its proper place you are just going to run around like a dog chasing its tail.

Mr. MAYBANK: Mr. Chairman, what I am concerned about is what might be done in the way of reconstruction after the war. Our aim is 100 per cent employment and at the moment we are in Nova Scotia to see what we may perchance do with Nova Scotia coal.

*By Mr. Maybank:*

Q. All conditions after the war being as they are now you would seem to indicate, Mr. Neate, that there is not much chance of extra employment in the Nova Scotia coal industry. Supposing you have a lot of industries down there or in the eastern part of Quebec would there be any possibility of any coal from any other place coming in there?—A. Unfortunately, Mr. Maybank, yes. American coal can come into the Quebec market.

Q. If it is left free?—A. Surely; you have got to restrict, not encourage, you have got to restrict the importation of coal after the war. To-day the shoe is on the other foot. We have to beg for it, but if we are going to maintain our 10,000 to 12,000 miners in Nova Scotia after the war you have got to start thinking about the development of that market now.

*By the Chairman:*

Q. Even if you have new industries you would have to restrict importations?—A. Yes.

*By Mr. Maybank:*

Q. Suppose I am going to build a pretty large industry right at the mine pit, very close to it, will there be some person I can look to for coal with equal advantage to myself as well as the Nova Scotia mines?—A. Mr. Maybank, I venture to say you can pull coal in from West Virginia into the steel plant at Sydney to-day as cheaply as you can mine it eighteen miles away. That is why we pay the subsidy.

The CHAIRMAN: What can this committee do to change that?

Mr. MAYBANK: You cannot do anything with the Nova Scotia coal industry unless we build a high board fence.

The WITNESS: Mr. Chairman, and Mr. Maybank, there is only one way we can utilize Nova Scotia coal and that is by transporting it into the areas where the industries are, into Quebec, into Ontario.



*By Mr. Maybank:*

Q. You said if I put an industry right at the coal pit I could still bring in coal from West Virginia just as cheaply as I could take it out of the mine?—

A. You could but you would be encouraged not to.

Q. Oh, I know that.

*By the Chairman:*

Q. So tariffs are the only way even with the creation of new industries?—

A. Tariffs or subvention.

Q. The only two ways?—A. The only two ways that we can see, Mr. Chairman. If industry drifted towards Nova Scotia naturally and new industries were created it would open a market for a great tonnage of Nova Scotia coal. Likewise if more industries were created in the province of Quebec we would naturally encourage the use of Nova Scotia coal in those industries.

Q. Have you studied what industries could be created in the Maritimes adjacent more or less to the coal industry? Are you competent to answer that?

—A. We have studied many phases of that, Mr. Chairman. In fact, some time ago a temperature carbonization plant was contemplated but it passed out of the picture. Naturally there should be an outlet for a greater amount of coal—I won't say to the capacity of the steel plant to-day but after the war certainly we will need that steel plants going at a much better gait than it was going before the war if we are going to attack our reconstruction problems, our steel problems, and so on, and likewise you will have increased activity in many of the industries in the province of Quebec which should provide a substantial market for Nova Scotia coal.

*By Mr. McKinnon:*

Q. Mr. Neate, how far west are the railways using Nova Scotia coal?—A. At the moment I would say there is a little coal going into Levis, but I would say Riviere du Loup. They did use it as far west as Toronto.

*By Mr. Macdonald:*

Q. Are you not using Nova Scotia coal up as far as Noranda?—A. Yes, but that is not by the railways.

The CHAIRMAN: The question is the railways.

The WITNESS: How far did the railways use coal?

*By Mr. McKinnon:*

Q. I would like to supplement that with another question. How is it that the Canadian National Railways used something over 290,000 tons of Nova Scotia coal and the Canadian Pacific Railway only used 18,000 tons?—A. That was the payment of subvention in dollars for the movement of Nova Scotia coal.

Q. It was not the amount used by the railways?—A. No, sir. I can give you the tonnages of Nova Scotia coal used by both railways if you wish.

Q. I think that would be interesting to find just what the railways were using.

*By Mr. Maybank:*

Q. Indicate, if you can, whether it is locomotive used coal or used by the railways in some other way.—A. I think I will have to get that for the committee later.

The CHAIRMAN: He will have to get that information later. Mr. McDonald, did you have another question?

*By Mr. McDonald:*

Q. I know that Nova Scotia coal is being brought into Noranda. That is the furthest western point in the province of Quebec, but that has to be brought in there by rail?—A. They are moving it from Montreal to Noranda by rail and from Sydney to Montreal by boat. If the situation continues I am afraid they will have to discontinue shipping into Noranda.

*By Mr. McGarry:*

Q. Mr. Neate, has there been any serious consideration with regard to research as a means of dealing with the by-products of coal? Is there much research?—A. Dr. McGarry, our laboratory certainly has spent the last twenty years trying to develop markets for Nova Scotia coal and to what extent we could use Nova Scotia coal in coke plants. In 1928 and 1929 the Montreal coke plant absolutely refused to look at Nova Scotia coal but to-day we are shipping in 185,000 tons a year—not this year, but that is the capacity of that plant to use Nova Scotia coal. That was a found market of 185,000 tons.

*By Mr. Gillis:*

Q. Is that the Montreal Light, Heat and Power?—A. Yes.

*By the Chairman:*

Q. Will that last after the war?—A. Yes.

*By Mr. Gillis:*

Q. The same people that operate the mine group in Nova Scotia also control that plant.—A. Montreal Light, Heat & Power? That is news to me.

Q. The Gundy-Holt group.—A. The owners of the Montreal Light, Heat & Power I thought were the Holt group.

Q. That is the same group that operates the mines in Nova Scotia.—A. Well, they would not buy Nova Scotia coal. They do now, and they are satisfied.

Q. They cannot get American; that is why.—A. I think it is a good mixture, 35-65 per cent blend which they are using at that plant, and it is making marvellous coke, and it has developed a market for Nova Scotia coal to the extent of 185,000 to 190,000 tons a year. The same thing applies to the Shawinigan Chemicals. We are moving coal into that plant to-day which previously used American coal, but the whole thing at the present time is upset. We cannot get Nova Scotia coal. We have got to beg for American coal, but I am hoping it will reverse itself again, so that we can utilize our own.

*By the Chairman:*

Q. What you are afraid of is that we are creating a condition that will be a strong handicap after the war?—A. It will have to be broken down the same as happened from 1918 up to 1923 when your 2,000,000-ton market in the St. Lawrence dropped down to 134,000 tons, and it took us a decade to build up.

*By Mr. McGarry:*

Q. Mr. Neate, I hope I am not offside but I have to leave and I just wanted to ask this question with regard to transportation bottleneck. Granted that the railway facilities were increased from Sydney to Truro by double tracking and increasing the ferry service there would that effect a complete remedy?—A. No, sir.

Q. You would have no idea what proportion— —A. I can say this that if you put on a double car ferry you are limited then by the curvature and grades out of Mulgrave into Sydney. You are limited on that line because you have not got a line. When I say you have not got a line you have not a line adaptable to the heavy movement of traffic.

Q. There is a possible route there—A. You have got everything in the world there but there are so many repercussions. You may have to maintain that line to maintain the villages and towns located on that line. There are a lot of things to consider, but the permanent answer is a real line, double-tracked and a bridge across the straits.

Q. Or a causeway.—A. Put the mountain in the straits and put a small lift bridge across the canal.

The CHAIRMAN: Do you have a question, Mr. Matthews?

*By Mr. Matthews:*

Q. I was going to ask what was the cause of this dwindling in the St. Lawrence market? Is it because of lack of transportation?—A. Yes, entirely.

*By Mr. McKinnon:*

Q. The lake boats I presume are all in service, your grain boats?—A. We are moving five down into the Shediac run. We are moving everything we can but it is a case of robbing Peter to pay Paul. If we move too much off the lakes we do not bring our American coal into Ontario.

Q. I mean grain boats?—A. Well, what is being tried out now, the boats come back in ballast, call in at Sydney and take the coal up to Levis and Montreal, but we are not getting the trip charters in. We thought we would bring in 350,000 tons of coal by these trip charters and I do not think we have brought in more than two or three carloads.

Q. What is the trouble?—A. Not calling in; they can only do so on British Ministry of Shipping instructions. We have no control over that.

Q. That is the point I wanted to get at. They consider that the time that would be occupied in going in and taking on a load of coal and transporting it could better be used by going to headquarters and getting loaded?—A. Getting the stuff and turning around back. That is the reason given on the other side and I imagine also it would be the same reason given here, but on the other hand the boats—I can say this to you, in Washington only two weeks ago we got assurances from the Office of Defence Transport that they would have some American boats come back across the north Atlantic into Sydney and bring that coal down to Portland and we could rail it in from Portland. We have not got a boat yet. I am after Washington every day when are we going to get our first boat.

*By the Chairman:*

Q. You mentioned about a conversation with Washington; do you want that off the record?—A. No, it is quite open.

*By Mr. Castleden:*

Q. Would you say, Mr. Neate, taking into consideration the costs of material and time and the boat situation that it would be good economics to undertake the fixing of that road and the situation at the Strait of Canso?

The CHAIRMAN: After the war?

Mr. CASTLEDEN: No, at the present time.

The WITNESS: First of all, you would have to get priorities for your equipment; secondly the labour situation would enter into that and thirdly the time element.

*By Mr. Castleden:*

Q. Taking those into consideration I was wondering whether you—A. I don't think you could complete that piece of work within three years.



*By Mr. Gillis:*

Q. Would that include the links of the bridge?—A. I do not think so—I think that is the grading and track laying.

Q. Do you not think in an emergency such as we are facing now that that island is very important?—A. It is important, but it is out of luck.

Q. Take the American stuff going to Newfoundland, most of it is going through there. This war is not going to be over to-morrow. I know that back as far as 1903 the very difficulty we are talking about now was recommended to be removed during those years. If we realize that things are serious and that this matter is as essential to the war as we think it is, it would not take three years if you are determined to do the job?—A. They could do it in Europe in probably a year.

Q. Easy.—A. But as I say, Mr. Gillis, the whole thing naturally is a matter of policy which I am not in a position to discuss; but I can say in answer to your question that we have looked at that for twenty years and they did not move a hand.

*By Mr. McKinnon:*

Q. As far as the railway problem is concerned, when you say they are hauling fifteen cars a train, when they eliminate the grades and some of the curves, instead of fifteen cars they could haul 50 or 75 cars; that would eliminate your problem regardless of the single track, as far as the railway is concerned.

Mr. MAYBANK: Mr. Chairman, I think in all these matters we have to project ourselves into the future when the war is over. That should be the view of this committee; that is what we are working on. Of course, we have to make certain assumptions, one of them being that we will win the war. There is no use thinking about these things unless we make that assumption. Having that in mind, and trying to work out whether there is any possibility of doing anything with Nova Scotian coal after the war, would the witness indicate the possibilities and the impossibilities of us accomplishing anything by coking this coal there. I know you would have to find some use for the by-products to make that operation worth while. Is there anything we could do in the way of stimulating industries for the use of by-products which would make coking at the mouth worth while?

The WITNESS: You have still to transport your coke, and that is a major matter.

*By Mr. Maybank:*

Q. We have the transportation question in mind; but if we can make use on the ground of any of the by-products from the coking will that improve the situation?—A. They are coking a million tons of coal there now.

Q. What percentage of the plant is that?—A. Twenty per cent.

Q. They are coking 20 per cent?—A. Roughly.

Q. There is not much use of starting an industry down there to use up any of those by-products?—A. I think that is a question we would have to look at, Mr. Maybank, from a little different angle. I have been following only the coal and the coke and not the derivatives of a by-products plant.

Q. I am only asking this question because I am floundering around trying to discover some way of employing a percentage of unemployed people when the war is over. We are starting with a certain norm, and we want to see how much we can count on this Nova Scotia industry in the employment of people when the war is over. I think that is the view of this committee?—A. I say that my thought is that if we can maintain 12,000 miners and produce coal to the extent of, say, 7½ million tons, I do not see any possibility of any greater expansion, beyond, say, the 8,000,000 tons, which will take time and capital.

Q. We can only do that by some sort of assistance either of the negative or positive kind—that is by subsidy or restriction on others—a highboard fence or a hand-out are the only two methods by which we can do that.

The CHAIRMAN: Or lowering the cost of production, other than wages.

*By Mr. Maybank:*

Q. I gather that you rule that out; that you cannot lower the cost of production?—A. I have never ruled that out.

Q. There is a possibility there?—A. Yes, very definitely.

Q. What would that be?—A. Probably increased mechanization. That would be (a).

Q. Mechanization? Is the amount of mechanization in these mines less than in mines that can be compared with them?—A. No, I think this—I would say that the companies have mechanized considerably in the last ten years; to a greater extent than in the previous ten years.

Q. How do you mechanize a thing? Why do you have technological development in an industry—to save labour?—A. To produce more cheaply.

Q. How do you produce more cheaply; is it not by cutting labour?—I do not say that.

Q. Technological development, generally speaking, has aimed at the displacement of labour. If you have technological development in order to keep down your costs you do it at the expense of some of the 12,000 workmen we are talking about?—A. I do not agree with that.

Q. Oh, just a moment. Surely, generally speaking, in technological development you can write the equal sign between it and the other labour saving device?—A. Mr. Maybank—

Q. I mean generally?—A. Look at it this way. If coal can be produced more cheaply in Nova Scotia we can sell a greater tonnage and employ more people to mine it.

Q. In the same place?—A. Yes.

Q. You can open new mines?—A. Yes, we can open new mines.

Q. That is granted. I am not suggesting that technological development decreases employment—I am not suggesting that for a moment—but if we have a mine that may be employing 100 men and if you have produced some technological improvement or labour saving device in that particular place, it is employing fewer men, and that is the purpose of the whole technological movement.

The CHAIRMAN: May I ask a question? What are the prospects with respect to opening new mines so as to produce more coal over a greater area than is now used?

The WITNESS: There are areas which for one reason or another the companies have not found it expedient to open up. I refer particularly to the large McBean up at No. 7 Thorburn.

The CHAIRMAN: What is the reason for that?

The WITNESS: The reason given is that it would cost in the neighbourhood of \$750,000 to sink a shaft, and they did not have the money. When we discussed the opening of No. 7 for the McBean seam, we would have a little difficulty finding markets for the output at that time.

Mr. QUELCH: Is it not true that the mechanization could mean an expansion of production without any decrease in labour?

The WITNESS: Yes.

Mr. MAYBANK: That is over the whole field?

The WITNESS: Yes.

Mr. GILLIS: Do you have to overcome the marketing question definitely?

The WITNESS: It is projected on markets being provided.

Mr. GILLIS: That certainly is not in the mind of the present owners or the people who have the leases on these coal fields in Nova Scotia, or any expansion on any basis catering to that restricted market.

The WITNESS: We have to extend the market; we cannot leave Nova Scotia without an expanded market for coal.

Mr. GILLIS: And you cannot expand it on a competitive basis.

*By Mr. Castleden:*

Q. The coal production of Canada is gradually decreasing?—A. We are doubling it since the war.

Q. But over a period of forty years?—A. Oh, no.

Mr. McCULLOCH: I think there is only one solution to the Nova Scotian mines—industries. I have in mind the salt mines of Malagash. There could be a chemical plant started there—it is an ideal place for a chemical plant, at the salt mines. Another question was asked about the hauling of freight. One train could take five times as many cars from Moncton to Montreal as they can from Sydney to Truro.

Mr. MAYBANK: There is the matter of curvatures and grades.

Mr. McCULLOCH: Yes, five times the number of cars.

Mr. MAYBANK: Fifteen cars is a negligible amount.

Mr. McCULLOCH: They can take fifty cars of coal from Moncton to Montreal over the Great Northern or the Grand Trunk—which is it?

The WITNESS: The Grand Trunk.

Mr. McCULLOCH: And they can only take between ten and fifteen at the most from Sydney to Truro.

*By Mr. McKinnon:*

Q. What is the mileage from Sydney to Truro?—A. About 220 miles.

Q. Fifteen cars is only about 600 tons if they are loaded to capacity?—A. You can average forty tons a car. The American yardstick is fifty tons to the car. That would be 600 tons a day which would give us a backlog of about 18,000 tons a month or 100,000 between now and the end of the year.

Mr. McCULLOCH: I understand they can only take ninety cars a day over a period.

The WITNESS: That checks in very closely with my statement to you about 188 to 190 per capacity.

*By Mr. Castleden:*

Q. With regard to the matter of improving transportation facilities you said that one of the things entering into that matter as well as priorities and materials was labour?—A. Yes.

Q. There are thousands on half time at the present time?—A. Yes, that is unfortunately true.

Q. They could be used, as far as labour is concerned, on transportation facility improvement, could they not?—A. The trouble is that they are drifting into other employment.

*By the Chairman:*

Q. Did you not say a moment ago that there was an approaching lack of labour because of enlistments?—A. Yes.

Q. And that an order had just been issued discouraging enlistment?—A. That is right.



Q. How does that harmonize with your answer to Mr. Castleden's question?—

A. For the simple reason that this is a temporary situation, at least we hope it is—it does not look like it.

*By Mr. Gillis:*

Q. I think Mr. Castleden is right. You have, perhaps, half a dozen mines in Nova Scotia that are large producers and they are economical. If you close the mines that are not economical, and utilize the labour that is there, putting them to work double tracking that road they would double track that line in three months.

Mr. BLACK: I think we should have someone here before this committee who has sufficient knowledge and experience to give us that information on railway transportation conditions in eastern Nova Scotia from the standpoint of our present needs and the future. I said in the house that there is more freight to be carried over that road, considering its standard, than any other railroad, I hope, in the world, and from our present day requirements, looking to the future, that road certainly must be modernized. I think that this committee should have a qualified person to give us information on that matter. There is also the question of the Sunnybrae road. Mr. McCulloch has some information with respect to that. That road was built or graded the last twenty years, and the only justification for that, I think, was the through traffic, and I would like to get some information as to the wisdom of finishing that road of which 75 per cent of the cost—

Mr. McCULLOCH: \$1,500,000 will finish it. The bridges are made. That would solve the transportation problem on the mainland if that were completed.

The CHAIRMAN: That would not affect the ferry?

Mr. BLACK: No, that ferry will have to be dealt with in a different way. We are dealing with the standard of our present needs and what is necessary for the future. We should have definite information on our efforts as to the possibility of the bridge and the cost of constructing that bridge. There is another matter on which we should have more information—as to why we have not been able to get steamers allotted to carry coal from Cape Breton to the St. Lawrence. I am not satisfied that justice has been done to that movement of coal from Cape Breton to the St. Lawrence. We are spending millions of dollars in Canada and 154 steamers are being constructed in Canada, subsidized and built under government auspices, and I think that some of these 10,000-ton or 4,700-ton steamers should be allocated primarily as being justified by the war and from the standpoint of the needs of coal producing communities in Nova Scotia. I would like to know why that is not being done.

The WITNESS: I feel somewhat the same as you do, that it is a most serious problem in not having boats or cars to bring that coal up. I am not over-estimating the difficulty when I say we are going to be faced with the most serious coal situation in this country since 1917. We are facing it and we are running up against it right now. If, for instance, we have to get in 20,000,000 tons from the United States instead of 10,000,000, and we have got three-quarters of a million in bank and cannot move that up the St. Lawrence when American coal is going as far east as Riviere du Loup there is something wrong. It is transportation.

*By Mr. McKinnon:*

Q. I think our people have got to go out and demand that those ships call there and transport our coal up here.—A. Something has got to be done now. It is the middle of July, half our season is over.

*By Mr. Black:*

Q. I would like to have a little further statement as to what has been done and what has caused the greatest obstruction to the obvious necessity of getting

more ships allocated to carry that freight. I suppose six or eight steamers would do that?—A. Mr. Black, you will have to consult with the director of shipping, the Canadian Shipping Board—I am engaged only in the coal end. But if you are talking about long hours and pleading, I have not wasted any time. I have been after them day after day and hour after hour, even with Mr. Howe and everyone connected with the matter including the Canadian Shipping Board and the O.D.T. in Washington to try and get that coal moved. Unfortunately, I think it needs a little pressure from higher up. I know that Mr. Howe is seized with the seriousness of the matter. He called me up the other night and he said: You are putting me in quite a spot by having that train removed. I said: It is not going to solve our problem, it is only going to give us 100,000 tons more which we will not get unless you take that train off, and yet we can have excursions running all across Nova Scotia and Quebec to-day.

Q. What tonnage of steamers should you have to move the complete production of Nova Scotia coal to the present markets?—A. I think, probably, we would need about sixteen boats.

The CHAIRMAN: Do you mean sixteen boats more?

The WITNESS: No, not more, we would need about half a dozen more boats.

Mr. QUELCH: Mr. Chairman, on a point of order. We are dealing at the present time in this committee more with conditions that have arisen during the war than with the post-war reconstruction problems.

The CHAIRMAN: At this moment.

Mr. QUELCH: If, owing to the extent of the war we feel it is necessary to do that then it would be just as well if we are going to deal with this question to get Mr. Howe to come here because the greater part of the proceedings of this committee to-day has been taken up with problems arising out of the shortage of coal due to the war.

The CHAIRMAN: Not the greater part, a lot of it.

Mr. QUELCH: I am not protesting, because this is a very important matter, but I am suggesting that in order to get this matter adequately dealt with we should have Mr. Howe come before this committee, because this witness is not in a position to answer these questions.

The CHAIRMAN: Now, with regard to calling the minister, I doubt if Mr. Howe could give us the information that Mr. Neate thinks we should have, and I gathered from listening carefully that if there is anything wrong in the matter of shipping, anything that could be remedied immediately, it lies with those in charge of shipping, particularly British shipping and our own shipping, and possibly the United States Shipping Board. I doubt if any minister of the Crown could answer the questions with sufficient accuracy for the purpose of this committee. I also doubt—I have been waiting for an opportunity because I did not want to interfere with Mr. Black—but I also doubt, in fact I am certain, whether this committee has any parliamentary right to make a recommendation with respect to a matter that is apparently related to the conduct of the matter of coal or anything else in connection with the war. I permitted the questioning to go on for the reason that at one stage the witness said it would take three years to settle the transportation problem so far as it could be settled by the construction of this road and the improvement of the ferry service; and something that would take three years could possibly come under the purview of this committee.

Mr. GILLIS: Mr. Neate, you did not give that as an opinion; you did not mean it would take three years?

The WITNESS: Well, Mr. Gillis, if you asked me that question as an engineer, and with the situation as it is to-day, I would still say it would take three years unless we used a little dynamite.

The CHAIRMAN: Mr. Quelch, has your point of order been satisfied?

Mr. QUELCH: Yes.

Mr. GILLIS: An American engineer came over and gave me some information on that point. His company have made a survey, and he claims that they could bridge the strait of Canso within a year. The main difficulty would be getting the steel. He said the job could be done in a year.

The CHAIRMAN: If they had the steel?

Mr. GILLIS: Yes.

Mr. BLACK: Now, Mr. Chairman, I understand what has been said by Mr. Quelch and other members, that we are primarily dealing with post-war conditions; but we are going to have no coal industry in Nova Scotia after the war the way matters are going now and we will have no post-war industry to build upon unless something is done to save it now. I consider that the movement of coal by rail is very desirable, but primarily it must be moved by water if it is going to be an economical movement. I think Mr. Neate will agree with me. I have known him and worked with him for ten or twelve years, and no one understands the coal business in Nova Scotia better than he does or as well as he does. He has been the best friend Canada has had as far as that business is concerned and I am very happy that he is here; but I am anxious to get his views on these matters, and some of them are primarily accepted: you cannot economically move Nova Scotian coal to the St. Lawrence market except by water.

The WITNESS: Correct.

Mr. BLACK: The obvious thing to do is to have five or six more boats, and I am not satisfied that they could not be assigned to that business rather than see that business strangled at a time like this. Our money is going outside of Canada and we are importing coal that should be produced here while the industry in Cape Breton is idle and workmen are idle; not only that, but we are degenerating and degrading that business for post-war conditions; and if Nova Scotia is going to have an economic place in confederation after the war that coal industry must be maintained and built up, and we have to get a market for at least our present output in Canada. There are two main things that this committee should do: one, we should be satisfied that every possible avenue has been searched to enable us to get more ship tonnage to move that coal. I am not satisfied—I have not got proof that that has been done. Secondly, we should have some experienced, qualified railway people come before this committee and tell us what is necessary in order to bring that railway up to present-day standards to move coal in an emergency such as exists now and as exists in winter when the St. Lawrence water route is closed.

Mr. MCKINNON: On a single-track railway you are now drawing fifteen cars per train. I would say that under that situation a double track would be out of the question; you do not need it; you could not possibly make use of it under normal circumstances. You should be able to put that railroad which is there in such shape by eliminating grades and curvatures that it could haul 3,000 tons to a train. You could easily handle ten coal trains a day over a single-track line, that is 30,000 tons a day. There is your problem settled by eliminating grades and curvatures, and your railroad operating on a first-class basis.

Mr. MAYBANK: A double track will not get you working on a first-class basis unless you eliminate the curves. With curves on two tracks you will not be any better off than with curves on one track.

Mr. MCKINNON: A 3,000-ton train is nothing in modern railroading; they haul 8,000, 9,000, and 10,000 on many of the coal roads in the United States. Of course, it costs money to eliminate curves and grades, but it strikes me that is the way to handle the matter. Double-tracking is only a waste of money, you would not need it.



The WITNESS: It would solve a very serious problem if it could be done.

The CHAIRMAN: What is the mileage?

The WITNESS: 220 miles from Truro to Sydney.

Mr. BLACK: How many tons of shipping would be required to move the productive capacity of these mines to the obvious market at the present time, in addition to what we have?

Mr. McCULLOCH: There is only one solution to that matter and that is boats.

Mr. MAYBANK: Of course, to get the boats is a great deal easier from the standpoint of manhours than to straighten out the kinks in a railroad. The question of manhours is an important one.

The CHAIRMAN: I am asking this question perhaps in ignorance, but would wooden ships do?

The WITNESS: Anything that would float would do, sir.

Mr. McCULLOCH: Even barges.

The CHAIRMAN: I suppose we will deal with Nova Scotian coal at our next meeting on Thursday morning?

The WITNESS: The movement of coal up the river by thirteen deep-sea vessels to the end of the season would give us 781,000 tons; ballast vessels ex United Kingdom, 315,000 tons; the Shediac transfer at Point du Chene is being estimated at 150,000 tons. Having brought up 101,000 tons, that gives us a total of 1,348,000 tons. Now, I opened my remarks by saying that so far in April, May and June we only have brought up 193,000 tons in three months.

Mr. BLACK: That is for the three months?

The WITNESS: For the three months.

Mr. BLACK: How many tons should you have moved in three months?

The WITNESS: I would say not less than 600,000 tons.

Mr. BLACK: We have only moved one-third.

*By Mr. Gillis:*

Q. Before we adjourn would the witness give me a little information on this matter? There has been a demand—I have received a lot of letters—from producers asking that the government subsidize banked coal to enable them to have continuous operation. Is there any merit in that if your banks are filled at the present time?—A. I cannot see any merit. Your banks are at the maximum now. I cannot see it. It would be very difficult.

Q. Perhaps they want that retroactive.—A. Well, I imagine that the question you are asking is: should we subsidize the Dominion Coal Company for doing something they have already done?

Q. That is right. That is the demand that I have been receiving. I noticed that Mr. Hanson raised it in the House, too. The government has made some credit arrangement with the banks with respect to those who want to purchase coal?—A. Correct.

Q. Is that working out?—A. It is working out very satisfactorily, Mr. Gillis, but it is a little early. It only went in on the 15th of June and it has been in a short month.

The CHAIRMAN: That is purely war.

Mr. GILLIS: I had a letter from a chap in Montreal who told me he went to a bank to make arrangements for sufficient money to make his coal purchase and the bank manager looked at him and said, "I don't know anything about it. Either you or I are going to be a sucker on this."

The CHAIRMAN: Mr. Gillis, I am afraid we cannot extend this to that. That does not come into it.

Mr. GILLIS: Yes, it does. You are facing a situation in the coal industry because of a lack of planning in the past and you have got to change that after the war is over.

The CHAIRMAN: This banking arrangement for this year is really pure war.

Mr. QUELCH: If we are going to carry on this procedure at the next meeting—

Mr. BLACK: I would like to ask Mr. Neate—

The CHAIRMAN: Just a moment till Mr. Quelch is through.

Mr. QUELCH: Wouldn't it be advisable to have somebody from the Department of Transport here?

The CHAIRMAN: I am going to consult with Mr. Neate about that.

Mr. BLACK: I want to know from Mr. Neate how many additional 10,000-ton boats or how many additional 4,700-ton boats should be put in that service to move the coal. He says 13 boats altogether.

The CHAIRMAN: I think he said 6.

The WITNESS: I said put 6 more on.

*By Mr. Black:*

Q. What size boats would those 6 be?—A. 7,000 or 8,000 or 10,000 tonners, deep-sea boats.

Q. The standard boats being built are 10,000 tons, carrying between 9,000 and 10,000 tons and 4,700-ton boats. I would like to demand as far as we are able to demand, that so many of these new boats be assigned to that trade.—A. Mr. Black, as a suggestion on my part I think that is a matter that should be addressed to the Canadian Shipping Board, the Director of Shipping. I am very much afraid I could not help you on that except in a general way.

Q. You say then we need 6 additional boats to carry 9,000 tons?—A. I say at the present moment we need 6 more boats to get the coal moving. We haven't got the 13 deep-sea boats which were promised for the first of July. They are not in yet. They are coming in but here it is the middle of the month. The longer we go the more we will require.

The CHAIRMAN: We will meet on Thursday and continue with Nova Scotia coal.

The committee adjourned at 1.05 p.m., to meet again on Thursday, July 16, 1942, at 11.30 o'clock a.m.









CAI XC 2  
SESSION 1942

( HOUSE OF COMMONS )

SPECIAL COMMITTEE

ON

# RECONSTRUCTION AND RE-ESTABLISHMENT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

FRIDAY, JULY 17, 1942

WITNESS:

Mr. F. G. Neate, Coal Administration Branch,  
Wartime Prices and Trade Board

OTTAWA

EDMOND CLOUTIER

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1942







## MINUTES OF PROCEEDINGS

FRIDAY, July 17, 1942.

The Special Committee on Reconstruction and Re-establishment met this day at 11.30 o'clock, a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Authier, Bertrand (*Prescott*), Black (*Cumberland*), Castleden, Dupuis, Gershaw, Gillis, Jean, MacNicol, McDonald (*Pontiac*), McKinnon (*Kenora-Rainy River*), McNiven, Matthews, Maybank, Purdy, Quelch, Ross (*Middlesex East*), Stirling and Turgeon—19.

Mr. F. G. Neate, Coal Administration Branch, Wartime Prices and Trade Board, was recalled, further examined, and retired.

Mr. Bryce Stewart, Coal Administrator, Wartime Prices and Trade Board, was called, but stated that he had nothing to add to the presentation made by Mr. Neate.

The Chairman stated that a meeting of the Steering Committee would be held immediately following this meeting.

The Committee, on motion of Mr. MacNicol, adjourned at 1.00 o'clock, p.m., to meet again at the call of the Chair.

J. P. DOYLE,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

July 17, 1942.

The Special Committee on Reconstruction and Re-Establishment met this day at 11.30 o'clock a.m. The Chairman, Mr. J. G. Turgeon, presided.

The CHAIRMAN: Gentlemen, we have a quorum, and if the meeting will come to order we will start our proceedings. If I might take just a moment: it is not necessary for me to tell you that we are coming near the end of the sittings of this session; we hope to be closed up next week (personally, I am afraid they won't, but they want to close fairly soon) so we will not be having many more meetings until adjournment. I am asking the members of the steering committee if they could meet some time to-day so we could discuss a few matters relating to any progress report we may wish to make to the house, and we will have at least one more meeting—I hope, more meetings—but we have morning sittings coming next week and if we are going to meet we will have to meet at 10 o'clock rather than at 11 o'clock or 11.30.

Now, Mr. Neate is here, and he was asked some questions at our last meeting for which he did not have the answers. He has looked up these matters and has the answers, and some documents; I think perhaps it would be well if he gave us the answers to the unanswered questions, and then subjected himself to other questioning; if that meets with your approval.

Mr. F. G. NEATE, Deputy Controller of Fuel, Coal Administration Branch, Wartime Prices and Trade Board, called.

Mr. MAYBANK: I have one matter which I would like to have noted on the record, if I may?

The CHAIRMAN: Yes.

Mr. MAYBANK: That is about this advisory committee on the same subject under the chairmanship of Dr. James; I understand that it has been meeting quite a bit lately and it occurred to me that it might be possible that there would be some further report from them; and I was just wanting the steering committee to have that in mind. I am making that suggestion, that if there be anything of that sort during the interval, the adjournment interval, perhaps they could be sent to us.

The CHAIRMAN: I will see that the steering committee deals with that matter, Mr. Maybank.

With your approval, I will ask Mr. Neate if he will proceed.

The WITNESS: Mr. Chairman and gentlemen: I do not think that the questions were unanswered the other day, but they were not answered as fully as they might have been; and I said that I thought it would be better to have some statements prepared to amplify the answers which I gave at that time.

The first important question asked was with respect to Nova Scotia coal, the increased costs, the reasons, and general questions with regard to production and possibilities of increases of production. I have revised a statement which I prepared some time ago which I will just summarize very briefly and then place on the record, which deals with facts relating to the Nova Scotia coal industry. I give you the characteristics and analyses, the suitability and the unsuitability in certain cases; the production, the distribution, the consumption;

alternative fuels with which Nova Scotia coal has to compete; the importation of bituminous coal; the problem of transportation of Nova Scotia coal; comparison of prices to the consumer; and then I give you the reasons for subventions, tying it up with production in the United States and comparable conditions in Nova Scotia; mechanization of mines, particularly in the United States; and mechanization of mines in Nova Scotia; capacity to produce, and the mining handicaps. I would like to place this statement on the record so that the members might at a more convenient time and probably when they will have more time, review the answer to the rather short question which was put to me the other day.

## SOME FACTS WITH RESPECT TO THE NOVA SCOTIA COAL INDUSTRY

*Characteristics and Analysis*—Bituminous coal produced in Nova Scotia varies considerably in quality as the following typical analysis indicates:—

Fixed carbon .....	From.....	54% to 58%
Volatile matter .....	" .....	29% to 37%
Ash .....	" .....	5½% to 18%
Sulphur .....	" .....	1% to 8%
B.t.u.'s .....	" .....	12,000 to 14,300
Ash fusion .....	" .....	1,900 to 2,700

*Suitability*—For general steam raising uses in industry, shipping and railways, it is quite satisfactory and the coal produced in the Sydney area is also suitable for coking and gas making; mainland coals are not coking coals.

*Unsuitability*—Certain industries require a lot sulphur coal as the presence of sulphur affects the quality of the products. To mention some: glass making—brick making—gasworks—and for certain metallurgical purposes.

The low fusion point of ash is also detrimental when coal is used under heavy forced draft with consequent high furnace temperature, the ash fuses and blocks the air passages in the grate and for furnaces designed for high fusion ash coals Nova Scotia coal is not suitable.

*Production*—From eight to nine million tons can be produced annually.

Actually, production for the past three five-year periods and subsequent years has been as follows:—

From 1923-1927.....	6,496,000 net tons
From 1928-1932.....	6,003,000 net tons
From 1933-1937.....	6,104,000 net tons
From 1937.....	7,256,954 net tons
From 1938.....	6,236,417 net tons
From 1939.....	7,051,176 net tons
From 1940.....	7,848,921 net tons
From 1941.....	7,375,624 net tons

*Distribution*—Prior to 1940 the principal markets for Nova Scotia coal were the Maritime Provinces—Newfoundland—Quebec and Ontario.

*Consumption of Coal*—Consumption has not remained constant in proportion to business conditions. The decline is in part due to consumers turning to alternative fuels or other sources of energy, also there has been a remarkable trend toward increased efficiencies in the use of coal.

*Alternate Fuels*—The tendency in recent years is from coal to alternative fuels or energy. Energy other than coal has increased by 40 per cent over the past ten years. Use of coal by Canadian railroads has declined from 10·3 million tons in 1928 to an average prior to the war of approximately 6·16 million (40

per cent), while wheat movements and trade activity generally affects traffic volume. The motor driven vehicle competitor has had a serious effect on railway coal consumption. Fuel oil offers some competition not only for steam raising in industry generally but for bunkering and even the heating and cooking market. Hydro-electric power has displaced large tonnages of coal for steam raising.

Economies in the technical use of coal have permitted railways to reduce their consumption by 10 per cent during the past ten years. Similar economies have been achieved in steel manufacture, steam electric power plants and in general steam raising practice.

*Importations of Bituminous Coal.*—Bituminous coal importations last year amounted to 18.5 million tons or  $2\frac{1}{2}$  times the 1941 Nova Scotia production; the greater portion of this imported coal is used in Quebec and Ontario.

Quality of importations shows a wide range but such are usually a good quality with low sulphur content—low ash and high fusion of ash.

Preparation is carried out with a great deal of care and coals are sized to meet consumers' demands. Usually the grades sold are screened—run of mine—sized nut and slack.

*Transportation of Nova Scotia Coal.*—Nova Scotia coal receives many handlings before it finally reaches the consumer, which results in a great deal of degradation due to the friable nature of the coal. It has to move from the mine to loading piers, then from ocean-going boats to terminal storage piles and from that point to railway cars or trucks for final delivery.

*Comparison of Prices to Consumer.*—In the Province of Quebec, Nova Scotia coal moved prior to the war by water up the St. Lawrence and distributed from deep water ports on a price basis with imported coal from the United States. Inland movements westward involved a cost which placed Nova Scotia coal at a disadvantage with United States coal, the greater the distance moved inland from St. Lawrence ports the greater the disadvantage.

*Reasons for Subventions.*—Subventions were designed to meet competitive disadvantages and enable Nova Scotia coal to compete with imported coal on an equal price basis; without such assistance it would not be possible for Nova Scotia coal to enter the market west of the Island of Montreal.

This aid, initiated in 1928, has been responsible for the movement of over eighteen million tons of Nova Scotia coal into these competitive markets (as at the end of 1941). In addition to this, some million and three-quarter tons of Nova Scotia coal were assisted under the aid of coking legislation.

*Production in United States Mines.*—The United States coal industry is the largest in the world and produces about one hundred times more than the annual output of Nova Scotia. The districts in the United States supplying Canada are Pennsylvania, Kentucky, Ohio and the Virginias, where coal deposits are thick and of excellent quality, they have shallow cover, good roofing conditions and light gradients, they operate with mechanical labour-saving equipment, which results in the production per man being about the highest in the world.

It also means that United States bituminous coal is produced at a comparatively low cost and from mines where the shallow cover and easy access simplifies the problems of transportation, ventilation and pumping.

*Comparable Conditions in Nova Scotia.*—During the past 100 years the more accessible coal areas in Cape Breton have been worked out and the limited areas now being mined are at points far out under sea and at great depth. Mining in these remote submarine areas entails increasingly large costs of long uphill multiple systems of haulage and lengthy airways for ventilation.

Under the land areas seams have been followed to a depth of 4,000 feet, complicating the extraction of coal by heavy gradients representing high power costs for haulage and pumping.

Production per man employed in Nova Scotia is on the average 2.2 tons per day compared with 4.5 tons in the United States field.



*Mechanization of Mines (U.S.).*—In southern Pennsylvania, Kentucky and Virginia, production per man actually runs up to 10 tons per day with the greatly increased mechanization of mines. This mechanization is on the increase, which will still further intensify competition. One mine in West Virginia is now planning to produce 6,552 tons per day with 500 men, equivalent to 13 tons per man per day.

*Mechanization of Mines (N.S.).*—Nova Scotia operators are endeavouring to keep apace by extending the use of this labour-saving machinery. Coal-cutting machinery was introduced in the mines many years ago, and the system of handling coal by conveyor belts has been done for some twenty years.

Further progress is hoped for but the term mechanization includes a complete cycle by which coal is cut—bored—loaded and hauled mechanically to the tippie. The physical conditions of the Nova Scotia mines do not in every case lend themselves to complete mechanization. Where it is possible operators are endeavouring to use the most modern mining equipment.

Mining coal by old-fashioned methods is too costly and to compete in consuming markets modern mining methods must be pursued.

*Capacity to Produce.*—There is what is known as producers and non-producers in every mine. Producers are engaged at the coal face, actually mining coal, and non-producers are made up of men employed in handling coal from face to bankhead, maintenance of mine, preparation of the coal, and finally loading into cars.

In Nova Scotia coal mining 38 per cent of the men employed are producers and 62 per cent non-producers. American mines, with which Nova Scotia coal competes, have 60 per cent producers and 40 per cent non-producers.

The reason is that in Nova Scotia a large proportion of non-producers are required to meet the adverse conditions previously set out re:—

1. Distance from face to tippie with steep gradients.
2. Great depth of cover with heavy roof costs.
3. In many cases comparatively thin seams.
4. Gassy and dusty mines, long and costly airways which restrict the free use of electricity, which is an important factor.

Regarding (1) loss in effective working time underground amounts to one hour, 20 minutes per shift due to the time required for the workmen to travel from pit to face and return.

Also, steep gradients and gaseous conditions do not permit the extensive use of electric locomotives which play an important part in low cost production in United States areas.

Ventilation is also extremely costly in the submarine workings, necessitating in some instances coursing air for nine miles entailing large power consumption.

*Marketing Handicaps.*—The Cape Breton collieries producing 80 per cent of the coal are dependent upon water transportation during the summer months. The St. Lawrence movement represents 60 per cent of the total production of Cape Breton, requiring peak loads for labour during the season of navigation with a serious slackening off during the winter months.

Then again, coal produced during the winter months must be banked in readiness for summer movements. Similarly, the coal brought up during the summer has to be banked at terminals for winter delivery. This extra handling and storage, combined with weathering and the friable nature of the coal causing slackening and deterioration in size, adds considerably to the cost. Much United States coal is delivered direct from the mines to consumer without this additional heavy cost burden.

Always to be borne in mind is the effect upon industry of increased coal prices. In the iron and steel industry it means 30 per cent of the cost of production and about 25 per cent in the manufacture of cement. Put the price of coal beyond that of competing fuels and you lose that market immediately.

The next question which was asked was: what kind of coal is used by the railways—what kind of Nova Scotia coal is used by the railways? I have also a tabulation showing the coal consumed by the railways in Nova Scotia and the coal of Nova Scotia consumed by the railways—I didn't just get the drift of the particular question, or as to how it was to be answered. Nova Scotia coal supplied to the railways by provinces in 1939; that includes Nova Scotia, New Brunswick, Quebec, Ontario and also Prince Edward Island. The figures are as follows:—

## NOVA SCOTIA COAL SUPPLIED TO RAILROADS, BY PROVINCES

	1939	1940	*1941
	(Short tons)	(Short tons)	(Short tons)
Nova Scotia .....	327,659	526,643	591,986
New Brunswick .....	104,215	157,626	334,547
Quebec .....	396,358	439,758	183,381
Ontario .....	.....	.....	.....
Prince Edward Island.....	12,937	12,494	25,293
	841,169	1,136,521	1,135,207

\* 1941 figures are preliminary and subject to revision.

*By Mr. Maybank:*

Q. On that last item, you said 32,000?—A. 32,000.

Q. You then remarked that aside from that subsidiary it does not run in Nova Scotia; it is in New Brunswick?—A. Oh yes, it is in New Brunswick.

Q. You are not referring to mileage?—A. No, I am referring to tonnage. The reason I gave you that, Mr. Maybank, because I did not clearly understand the question as it was put to me in committee the other day; as to whether the question asked as to how much Nova Scotia coal was used by the railways in Nova Scotia, or how much Nova Scotia coal was used by the railways; so I gave an answer that would cover both sides of the question in the event that I had not understood it correctly.

The next question I am dealing with is one which was asked by Mr. Gillis and it relates to costs. I have summarized the operating costs of the coal mines of Nova Scotia since 1923 and including 1941; and I would like to place on the record an analysis which I have prepared and which I would like the committee to study. If in Mr. Gillis' mind there are figures which are not correct, or which might need greater clarification, it will be of some use to this administration to have these figures criticized and questions asked, even if the committee is not sitting. I am sure that even with these figures on the record some members of the committee will want to ask why; and I want to be in a position to be able to answer your questions at once if you ask them. Now, in this summary which I am placing on the record, I have given you the figures of the marketable coal produced, labour costs, costs for stores, power, insurance, taxes, royalties, rents, workmen's compensation, administration, interest, miscellaneous expense, depreciation and depletion, income tax and total cost f.o.b. cars; and with that the total debits. Then I give you the revenues and credits by the coal sold; and any other credit which would accrue through the sale of power or other source; and the net profit or loss per ton. With this summary I have attached the 1941 distribution of operating costs showing the percentages which would give you a fair idea of how the breakdown is arrived at; and also the notes operators received with respect to the compilation of this cost form. I think it will be of interest to the members.

## DISTRICT: NOVA SCOTIA

## COAL MINES' OPERATING COSTS SURVEY—1933-41

Year	Market- able Coal Produced	Operating Costs														REVENUES AND CREDITS							
		Per Net Ton (2,000 lbs.) of Marketable Coal Produced																					
		Labour	Stores	Power	Insurance	Taxes	Royalty	Rents	Workmen's Compensation	Administration	Interest	Miscellaneous Expense	Depreciation	Depletion	Income Tax	Cost f.o.b. Cars	Distribution	Total Debits	By Coal Sold	By Credit for Company Corrected Adjustments	By Miscellaneous Net Profit and Interest Received	Total Credits	Net Profit+ or Loss—
Net Tons	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
1933	4,379,760	2.09	0.44	0.31	0.01	0.08	0.09	0.02	0.03	0.13	0.17	0.04	0.23	0.01	.....	3.08	0.54	4.22	3.74	0.31	0.08	4.13	-0.09
1934	6,262,194	2.10	0.50	0.26	0.01	0.05	0.10	0.02	0.05	0.10	0.11	0.03	0.17	0.01	.....	3.51	0.55	4.06	3.57	0.46	0.09	4.12	+0.06
1935	5,830,003	2.189	0.438	0.275	0.005	0.057	0.103	0.008	0.032	0.137	0.113	0.035	0.176	0.007	0.001	3.679	0.540	4.219	3.793	0.243	0.100	4.136	-0.083
1936	6,615,812	2.115	0.429	0.248	0.004	0.050	0.105	0.022	0.079	0.117	0.098	0.040	0.203	0.006	0.015	3.590	0.534	4.124	3.661	0.313	0.092	4.005	-0.059
1937	7,138,471	2.279	0.466	0.244	0.004	0.047	0.107	0.013	0.086	0.118	0.086	0.047	0.188	0.007	0.002	3.694	0.500	4.194	3.839	0.214	0.079	4.131	-0.003
1938	6,153,947	2.269	0.455	0.271	0.001	0.054	0.109	0.013	0.111	0.139	0.085	0.046	0.161	0.013	0.003	3.733	0.539	4.272	3.834	0.325	0.048	4.207	-0.005
1939	6,802,517	2.246	0.420	0.234	0.004	0.048	0.108	0.020	0.107	0.126	0.058	0.052	0.201	0.015	0.031	3.670	0.536	4.205	3.606	0.527	0.063	4.256	+0.050
1940	7,708,436	2.298	0.435	0.214	0.004	0.045	0.110	0.020	0.099	0.117	0.045	0.048	0.174	0.008	0.085	3.691	0.491	4.182	4.049	0.110	0.087	4.247	+0.005
1941	7,203,842	2.613	0.548	0.240	0.001	0.047	0.111	0.019	0.116	0.137	0.046	0.032	0.186	0.001	0.001	4.155	0.528	4.683	4.181	0.171	0.081	4.433	-0.250



## THE WARTIME PRICES AND TRADE BOARD

J. McG. Stewart, K.C., Administrator,  
F. G. Neate, Technical Adviser

Office of Coal Administrator,  
238 Sparks St., Ottawa.  
August, 1941.

Dear Sirs:—

Attached is the graph of operating costs and revenues of Canadian coal mining districts for the eight years 1933 to 1940 inclusive.

The industry, as a whole, again showed a profit on the year's operations. All operating districts, except Saskatchewan, and the Alberta sub-bituminous field, showed a profit, the latter, however, improved its position over the previous year (a net loss 1.1 cents per ton in 1940 as compared with 5.4 cents in 1939). For the industry as a whole, the profit for 1940 was 5.9 cents per net ton compared with 4.4 cents in 1939.

Total operating costs on the average were only slightly reduced from 1939 but revenues were higher. An analysis of the returns received indicates that 113 operations, representing 64 per cent of the total tonnage reported, averaged net profits of 15 cents per net ton; 55 operations representing 26 per cent of the tonnage ran at a loss of 6 cents per net ton and 26 operations covering the balance of the tonnage (10 per cent) showed a loss of 26 cents per net ton.

## DISTRIBUTION OF OPERATING COSTS—CANADA

	1933	1934	1935	1936	1937	1938	1939	1940
	%	%	%	%	%	%	%	%
Distribution .....	9.0	10.0	9.3	9.3	8.9	9.2	9.7	8.6
Workmen's Compensation.....	1.8	1.8	2.2	2.3	2.5	2.8	2.8	2.7
Rents and Royalties.....	2.9	3.3	2.9	3.2	3.0	2.9	3.1	3.1
Insurance and Taxes.....	2.3	2.0	2.0	2.2	1.8	2.0	2.2	3.2
Administration and Miscellaneous...	6.0	5.0	5.5	5.0	5.0	5.4	5.1	4.7
Bond and General Interest.....	3.0	2.3	1.9	1.6	1.5	1.4	1.0	0.8
Power .....	6.6	6.1	6.2	5.7	5.8	6.0	5.6	4.9
Depletion and Depreciation.....	8.2	7.2	7.0	8.0	6.6	6.4	6.7	6.3
Stores .....	9.3	10.9	10.5	9.9	10.4	10.3	9.8	10.3
Labour .....	50.9	51.6	52.5	52.8	54.5	53.6	54.0	55.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Profit or Loss as per cent of operating costs .....	-2.4	+0.5	-0.8	-0.1	1.1	-0.7	-1.3	-1.7

The tonnage represented in the graph for 1940 totals 16,206,039 net tons and is equivalent to approximately 92 per cent of the total coal production for Canada for the period.

The Coal Administrator wishes to acknowledge the generous co-operation of coal operators throughout Canada whereby the presentation of this graph has been made possible.

Yours very truly,

F. G. NEATE,  
*Technical Adviser.*

## WARTIME PRICES AND TRADE BOARD

## OFFICE OF THE COAL ADMINISTRATOR

## NOTES TO ASSIST IN THE COMPILATION OF COAL OPERATORS' ANNUAL COST STATEMENT

The following notes are designed to assist in the correct compilation of Form O-20/42. Where the existing system of accounts makes it difficult or impossible to comply with the form of this return the financial statements should be accompanied by the cost compilation in use by the Company, with any explanation that will assist the Board in adjusting the statement in as close conformity as possible with the requirements.

The return must be certified by the Operator, or responsible officer of the Operating Company.

Where two or more mines are operated under the same management, a separate return should be completed for each mine if the system of accounts in use will allow.

An unabridged certified copy of the Balance Sheet, Trading and Profit and Loss Accounts for the period covered by the return should accompany the return.

(a) Capital Employed: Include cost of lands, buildings, machinery and tools; cost of supplies and stocks on hand; cash and bills receivable, and investments as at the end of the period. For the purpose of this return capital is computed on a cost basis, consequently depreciation reserves should not be deducted. Do not, however, include depletion reserves.

(b) Stocks: In the case of coal stocks carried over into the following financial year, subtract an increase in stocks, add a decrease in stocks to the figure for "marketable coal produced."

(c) Total of coal sold or used should agree with total "coal distributed." If a company briquettes or cokes a portion of its production the coal so used should be separately indicated under tonnage, and under revenue at current market rates.

(d) In the whole of this tabulation care should be taken to exclude any costs which properly enter into work of a capital nature.

(e) Labour:\* Include payments made to contract workers; all wages paid to colliery employees in and about the mine, other than those engaged upon work of a capital nature, or in administration, or superintendence as covered in item (m).

Man-days worked, reported under the head of "Employees" should be those corresponding to employees whose wages are listed under item (e).

(f) Stores:\* Include all stores, timber and material used in the ordinary working of the colliery. Stores and materials used on work of a capital nature, should not be included here.

(g) Power: Include power purchased for colliery use; value of coal used under colliery boilers, etc.; cost of labour, stores, and any other items incurred in the operation of the power plant. Light and power undertakings associated with collieries should be treated as part of the colliery operations, costs being shown under the head of "power" as above indicated (coal used at current rates), and revenue separately listed.

(h) Insurance: Include all insurance other than workmen's liability insurance.

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\*Maintenance and development charges should be segregated into "labour" and "stores," or other appropriate head and included under those heads.

(i) Taxes: Include all taxes except income tax, for which separate provision is made under (r).

(j) Royalty: Include all royalties paid, and show also the rate of royalty per ton so that the proportion of the output subject to royalty can be computed.

(k) Rents: Include all rentals on coal leases and on property rightly chargeable to coal mining purposes. (Rental of sales offices will be included under "distribution" and rental of head offices apart from the mines, under "administration.")

(l) Workmen's compensation: Include all payments for compensation or compensation insurance except such payments in respect of employees engaged upon work of a capital nature.

(m) Administration and supervision: Include all administrative salaries and expenses; rental of head offices apart from the mines; salaries and expenses of mine superintendents, managers, engineers and surveyors.

(n) Bond and general interest: Include all charges for interest or bank loans and other loans; exchange charges; interest on funded debt. If bonds are sold at a discount or are redeemable at a premium, the annual proportion of such discount or premium should be taken into account.

(o) Miscellaneous Expenses: Include all sundry expenses (except distribution) not elsewhere listed.

(p) Depreciation: The purpose of a depreciation allowance is to provide for the replacement of capital assets which have wasted due to wear and tear or for other demonstrable causes affecting the earning capacity of the object.

The amount of the allowance will depend upon the individual circumstances but should approximate that proportion of the estimated useful life of the object to be depreciated applicable to the accounting period under consideration; the allowance should not exceed the amounts determined by income tax authorities. If, for any reason, less than the normal rate is shown, the normal rate should be indicated in a separate note.

Articles having a comparatively short life should be replaced out of income and charged directly to item (f). (For example, depreciation would be warranted on headframes, haulage machinery, conveyors, coal trucks, coal-cutting and drilling machinery, etc., but not on rails, piping, shaft and haulage road fittings, wiring, tools, etc.)

From 10 to 20 years is usually considered a fair average life for mining machinery. Residual values of 10 or 15 per cent are usually set up and the balance divided into equal annual instalments of depreciation over the estimated life of the plant.

(q) Depletion: If the company holds coal lands by purchase or lease a depletion charge should be made for the tonnage mined in accordance with the estimated recoverable tonnage contained in the property and the consideration paid for it. Coal mined under royalty only does not call for a depletion charge.

(r) Income Tax: Include Federal and/or Provincial corporation taxes on profits derived from the mining enterprise for the period covered by the return. In the case of a partnership the amount charged should be computed as though the sole income of the partners was that derived from the colliery concerned. Include only the income tax on profits made in the period covered by the return. If this is not definitely known at the time the return is made, an estimated figure should be shown.



(s) *Distribution*:\* Include all items covering the cost of delivering the coal to the common carrier, including costs of upkeep and rental of spur or siding, right of way charges, switching and loading; demurrage; include all selling expenses, salesmen's salaries, expenses and automobiles; commissions, agency fee, telegrams, etc., in connection with orders; rental of sales offices; advertising and special demonstrations, etc.; amounts written off for bad debts. Do not include any freight charges by common carriers.

(t) *Allowance for increase or decrease in coal stocks*: Enter the difference in value of opening and closing stocks of coal under item (t) in the appropriate column.

(u) *Miscellaneous Net Profits or Losses*: Include the net profits or losses resulting from the operation of minor enterprises subservient to the operation of the colliery, as for instance, blacksmith shop, company stores and boarding houses, profits from sale of miners' supplies, etc. If there is a balance of loss this may be shown under operating costs in the blank space.

(v) *Interest received and Income from Investment*: Include all interest received on bank deposits and loans; premiums received on exchange, income received from investments.

(w) *Profit or Loss*: Balance the two sides of the return with the adjusted figure of profit or loss, as the case may be. This should approximate the figure of net profit or loss carried to your balance sheet.

If for any reason there is a considerable difference between the return and the financial statements, a reconciliation should be supplied with the return, in order to avoid unnecessary correspondence.

Where the composition of a cost item, as entered in the return, will not be evident by reference to the profit and loss or operating accounts, details of the item should be provided separately.

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\*Companies having stocking or shipping problems of more than ordinary magnitude should include such expense under "distribution," supplying details in a separate schedule. Such items might include:—

*Storing and refilling stock piles at mines*:—Wages paid to employees engaged on stock piles at mines; locomotive and steam shovel expense at stock piles.

*Delivering to common carrier*:—Railway charges on company owned lines from mines to shipping point.

*Shipping over piers*:—Wages and salaries paid to employees engaged in loading vessels at piers; materials used in repairs to piers; taxes, insurance, lighting and all other expense in connection with shipping piers.

*Discharging and stocking at agencies*:—Wages and salaries paid to employees at discharging plants and on stock piles at agencies, also on maintenance and repairs to discharging plants; ground rentals at agencies; taxes and insurance on agency property; locomotive service and car hire.

OFFICE OF THE COAL ADMINISTRATOR,  
May, 1942.

The next tabulation, which I think may be of interest—in fact, there are two of them caught together—deals with the projection into the future as well as of pre-War One distribution and production in Nova Scotia. I have there the shipments of Nova Scotia coal from 1930 to 1941, giving you what has been distributed or shipped and that would not include the coal used by the mines, or under boilers at the mines; and I show in this statement the distribution by provinces of other main uses. I gave you the coal produced in Nova Scotia and consumed in Nova Scotia; and the consumption in New Brunswick of Nova Scotia coal; also, Prince Edward Island, the other provinces—and then I gave you the total of Nova Scotia coal shipped to other points.

*By Mr. MacNicol:*

Q. For each year?—A. Yes, for each year. Then, of course, I give you the shipments to the United States, Newfoundland, and other exports; and then I give you the consumption for bunker, and the total exports for that period. And that, I think, in conjunction with the bituminous coal comparable in Canada, will give you a fairly clear picture as to our requirements and the fluctuations of the market for that period of years. You will perhaps be interested in this: I would like just to put my finger on one point, and that is the loss of Nova Scotia markets in the St. Lawrence area during the last war. In 1913-1914, as I pointed out on Monday, we had a market in the St. Lawrence area of 2,600,000 tons of coal from Nova Scotia.

Q. When you say, "the St. Lawrence market"; do you mean the province of Quebec?—A. The province of Quebec, yes. At that time we were shipping Nova Scotia coal into Ontario but in 1917 and 1918 that market dwindled down to 150,000 tons; and it stayed down for three or four years until we finally got back to 1,000,000 tons in 1921; and it was only in 1923 that we got up to one million eight. But I think you will find from this statement; or, you will gather from this statement, a clear idea of what we will be faced with after this war unless we take precautionary measures to maintain that goodwill and maintain the markets which government money and considerable trouble that has been taken in building up over the past ten years.

## SHIPMENTS OF NOVA SCOTIA COAL

(Net Tons)

Year	Nova Scotia	New Brunswick	Prince Edward Island	Other Provinces	Total Canada	United States	New- foundland	Other Export	Bunker, Etc.	Total Export	Total
1913	2,910,928	724,239	107,615	3,456,448	6,199,230	524,261	235,809	10,618	286,236	1,056,924	7,256,154
1914	2,467,736	762,180	107,276	2,667,372	6,004,534	336,741	252,660	10,985	299,432	899,818	6,904,352
1915	3,339,283	675,693	93,172	2,048,221	5,186,369	596,606	233,735	20,479	411,667	1,262,487	6,448,856
1916	3,165,457	865,237	92,875	1,114,337	5,237,907	509,772	281,259	11,823	604,992	1,407,846	6,645,753
1917	3,226,481	994,741	115,548	339,375	4,676,145	383,153	264,914	7,103	428,930	1,084,100	5,760,245
1918	3,090,035	988,521	87,431	150,583	4,316,570	301,370	245,487	6,044	297,634	850,535	5,167,105
1919	2,814,244	846,522	87,865	380,021	4,134,662	84,911	304,896	88,265	382,071	860,143	4,994,805
1920	3,738,618	1,004,062	103,579	269,945	4,116,204	27,372	333,127	674,035	544,176	1,578,710	5,694,914
1921	2,083,952	1,001,521	89,783	1,011,512	4,186,768	9,457	250,787	415,361	419,523	1,095,128	5,281,896
1922	1,607,478	657,925	81,452	1,241,738	3,588,593	345,804	226,988	10,809	265,380	848,981	4,437,574
1923	2,305,094	907,125	142,563	1,863,718	5,218,500	312,456	260,312	81,126	296,556	950,450	6,198,950
1924	1,996,303	593,437	93,530	1,759,255	4,442,545	7,511	284,338	51,587	247,111	540,547	4,983,092
1925	1,438,979	489,811	71,231	904,406	2,904,427	2,554	158,579	4,954	170,327	336,414	3,240,841
1926	2,071,462	602,449	117,592	2,219,535	5,011,038	20,404	289,596	18,337	362,148	680,545	5,701,383
1927	2,082,241	630,052	117,407	2,758,727	5,588,427	3,977	305,549	318,144	445,794	1,073,464	6,661,891
1928	2,009,433	641,604	114,360	2,747,077	5,512,474	44,211	308,822	10,095	305,157	668,285	6,180,739
1929	2,156,581	771,201	118,974	2,839,189	5,885,945	33,806	238,595	3,041	276,611	582,053	6,437,998
1930	2,065,818	702,737	116,166	2,479,419	5,334,140	12,189	272,588	2,236	264,156	551,149	5,915,289
1931	1,572,509	723,600	93,677	2,055,787	4,445,573	40,702	149,378	2,484	195,144	387,708	4,833,281
1932	1,005,574	564,407	79,886	1,850,331	3,500,198	44,946	88,053	3,668	125,527	262,194	3,762,392
1933	985,841	479,680	85,844	1,855,367	3,406,732	39,330	77,162	2,529	144,768	263,789	3,670,521
1934	1,476,010	535,680	97,022	3,355,192	5,443,904	31,473	91,497	2,014	221,269	346,253	5,790,157
1935	1,607,063	513,881	88,842	2,666,502	4,876,288	46,179	105,800	5,132	283,450	446,561	5,316,849
1936	1,678,837	517,678	80,612	3,253,170	5,530,297	67,102	110,105	3,615	280,641	601,463	6,001,760
1937	1,952,398	627,725	78,663	3,442,810	6,101,596	56,521	121,101	4,585	319,333	501,540	6,603,230
1938	1,702,836	534,549	76,660	3,091,929	5,405,974	.....	115,499	5,210	243,636	364,345	5,770,319
1939	1,737,997	579,619	88,564	3,510,838	5,917,118	.....	133,471	2,425	310,795	445,702	6,363,809
1940	2,416,879	749,290	88,389	3,375,680	6,630,238	.....	207,005	3,336	313,883	524,244	7,254,482
1941	2,814,691	1,102,524	138,581	2,099,135	6,154,931	.....	208,334	9,106	367,348	525,088	6,686,019

Office of the Coal Administrator, July 15, 1942.



*By Mr. Castleden:*

Q. Would you mind giving us the causes of that decrease in markets in the St. Lawrence area?—A. During that period?

Q. Yes.—A. We didn't have the coal and it wasn't being shipped in. It was being used in the maritimes—industry and shipping demands increased to such an extent that the market was lost.

The CHAIRMAN: The market was abandoned during the last war, wasn't that it?

The WITNESS: Really abandoned, and then lost; because I remember quite well at that time the argument from, we will say, the wholesalers and people selling coal was: when you couldn't get Nova Scotia coal—they just didn't have the Nova Scotia coal to give them—we came and looked after you and you can't abandon us now; and it took some time and a considerable amount of money to break down that attitude on the part of the coal consumers, the industrial consumers.

Q. But supplied to where?—A. The United States.

*By Mr. Gillis:*

Q. You are running into the same thing again?—A. We are running into the same thing again, Mr. Gillis. I do not want to burden you with this reiteration, but we have to face this situation because we are meeting it now. I have only one more remark to make in reply to your question the other day. I touched upon the seriousness of our present situation with regard to transporting Nova Scotia coal by boat into the St. Lawrence market. I told you that we had only brought up 193,000 tons during April and June of this year and that we would have considerable difficulty in maintaining our requirements in that area unless shipments were boosted up to probably 220,000 tons a month from now to the end of the year. After leaving the meeting on Monday I got a final up-to-date report as to movements and I wish to say to the committee that the situation has improved considerably during the month of July. From the 1st to the 11th of July we brought up 86,000 tons of coal by boat and 53,000 tons by rail, making a total of 139,000 tons, 8.4 per cent in two weeks as against 17.7 per cent in three months. If this rate continues we will have no difficulty in bringing up our total requirements from Nova Scotia. We can easily bring up 1,600,000 tons if that rate of progress continues as from the 1st of July to the 11th. I think you had the bad news on Monday and I think it might be as well to give you what the improved situation is.

*By Mr. Black:*

Q. Does that mean the total producing capacity of the mines?—A. I think so, yes; in fact we can do a little better than 1,600,000 tons on this basis of shipment. I think, gentlemen, I have answered the questions or amplified the questions which you asked me on Monday.

*By Mr. Maybank:*

Q. Before proceeding with the remainder of the discussion relative to coal in Canada to-day, may I say I wanted to ask you a question, Mr. Neate, to see if I have apprehended correctly your views with reference to the value of the Nova Scotia coal field to us in reconstruction proposals after the war? I have already spoken to you about it, Mr. Neate. I understood your views covering the whole Nova Scotia coal field amount to this, that there being about 10,000 employees, after the war there was very little hope for us in regard to the creation of employment in the Nova Scotia coal fields; that unless we protected these fields by some protection in the way of hindrance of other coal coming in or else by handing out positive subsidies we cannot get employed in Nova Scotia any additional people in the coal industry and that it would be doubtful if we

can keep employed that many who are presently employed in the industry; in other words, it is not apparently a place that will be useful to us in any reconstruction problem.—A. Mr. Maybank, if we can maintain the situation in Nova Scotia as, we will say, before the war and retain the services of 10,000 to 12,000 miners, I do not see any likelihood of any increase in production or labour. It would be well to bear in mind that the many arguments that have been put forward that the coal is too expensive to mine, that we should tow the mines out to sea and drown the mines or flood them out and put the miners to work in other provinces, are not sound for the simple reason the closest coal you have to Nova Scotia is the Central Pennsylvania or Virginia mines, northern and southern West Virginia. Suppose you have a strike, which we have had many times before, in the United States mines, where are you going to get your coal from? The closest coal, apart from the small production in New Brunswick, is in Western Canada. The only assurance that we have of maintaining the supply of coal in this country, if anything went wrong south of the border, is to draw on Nova Scotia. And the small—when I say “small” I mean that is the way it strikes me—amounts paid out by way of subsidy or subvention is, I think, very cheap insurance for this country to maintain—I do not say increase, I say maintain—our coal-mining industry in Nova Scotia which is the backbone industry of the province.

Q. You regard it as a standby plant?—A. Not only a standby plant, no. If you interpret my remarks as a standby plant I want to correct that right now. It is the main industry; it is important to Canada and very important to Canada. Last war we supplied coal from Nova Scotia to bunker vessels in convoy going to Great Britain. We are doing the same thing in this war. If you cannot bunker coal from Nova Scotia where do those boats have to go, to Hampton Roads, Baltimore.

Q. I do not want to appear to get into the position when asking the question of advocating something.—A. I do not mean that at all.

Q. No; the problem of the committee is to think of ways of putting men to work after the war. We start out with the aim of 100 per cent employment after the war rather than have a tremendous dip in employment and endeavour to overcome it after a while; and so it is desirable to survey every possible field where some steps might be taken to make employment and make it economically. And I understood from you we could not expect to do much in that way in Nova Scotia coal fields. We would all be glad if we could and I have no doubt you would be glad if you were wrong. That is the way I interpreted the sum total of your remarks last time. Now, all I am asking to-day is was I wrong in that?—A. No, Mr. Maybank, you were not wrong, but what caught my thought was you said it was a standby operation. I say no. I do not think we can increase production; I do not think we can increase the labour in the coal-mining industry in Nova Scotia, and I say if we maintain what we have, sir, we will be doing well. I will leave it at that. You asked a question the other day along these lines: Could anything be done by establishing coke plants or the production of coke? I do not know if you wanted a complete answer.

Q. We were feeling around to see if there could be another industry established down that way.—A. I did make a few notes with respect to the production of coke.

*By Mr. MacNicol:*

Q. In Nova Scotia?—A. In Nova Scotia, yes.

Q. It would not be economical, would it? If you were going to ship it up to southern Ontario it would not be economical.—A. No, it would not, not in competition with imported coke at the present time.

Q. It would be much better to ship the coal and make the coke up here?—  
A. Which they are doing at the present time.

Q. I will say something about that a little later.—A. To answer your question, Mr. Maybank, with respect to coke production, may I say they are carbonizing in Nova Scotia in the neighbourhood of one million tons a year and the yields of coke, coke breeze, gas, sulphate of ammonia, tar, toluol, benzol, xylol and other coal tar distillate, is really an important figure. While I did not have this statement to put on the record it might be well to give you a copy. I had this statement prepared to give you an answer to the question with respect to the carbonizing of coal in Nova Scotia, and I am retaining it, but I shall give you a copy.

Q. Can you put on the record the by-products that come from the one million tons of coal in addition to the coke?—A. Yes, I have.

Q. That is very important.—A. I will be glad to put that on the record now.

*By Mr. Black:*

Q. Why not put the whole thing on the record?

*By Mr. Maybank:*

Q. The paper you prepared to give to me, you say?—A. That is it.

Q. That is it?—A. Yes.

Q. Put that on the record.—A. I will put it on the record.

#### ESTIMATED PRODUCTION OF COKE AND BY-PRODUCTS— DOMINION STEEL AND COAL CORPORATION, SYDNEY, N.S.

##### CALENDAR YEAR 1942 (YEAR OF MAXIMUM PRODUCTION)

Coal Carbonized.....	930,000 tons
Approximate Yields:	
Coke.....	574,000 "
Coke Breeze.....	61,000 "
Gas.....	10,800,000 cu. ft.
Sulphate of Ammonia.....	10,300 tons
Tar.....	6,700,000 gal.
Toluol.....	450,000 "
Benzol.....	1,600,000 "
Xylol.....	140,000 "
Other Coal Tar Distillate.....	78,000 "

Tar is the raw material from which countless chemical products are derived as well as roofing, road material and chemicals for wood preserving.

Toluol is a chemical of the benzol family. In war time it is converted into the explosive T.N.T. (trinitrotoluene). In peace time it is used principally as a solvent for chemicals and in the lacquer industry.

Xylol is another chemical of the benzol family. It is used as a solvent in chemical and lacquer industries and during war time as a blending agent to improve the octane rating of aviation gasoline.

Benzol is a chemical used principally as a blending agent to improve the octane rating of gasoline for use in automobiles. It is also widely used as a solvent in chemical industries.

Other Coal Tar Distillate is a mixture of high boiling chemical compounds removed from coal gas. The chief constituent is naphthalene. Some coke plants do not recover and sell this group of compounds.



*Montreal Coke and Manufacturing Company*

Coal carbonized, 552,000 tons.

Coke, 385,000 tons, of which 50,000 tons will be foundry coke; 35,000 tons for Government arsenals; 15,000 tons for Shawinigan Chemicals; 15,000 tons for Aluminum Limited; 7,500 tons for St. Lawrence Alloys; 7,000 tons for Gas Manufacture in Ottawa, Sherbrooke and Brockville; 15,000 tons for Miscellaneous Industrial Purposes; 30,000 tons for Gas Manufacture in our own plant; and 210,500 tons for Domestic Heating.

Coke Breeze, 34,000 tons, of which 12,000 tons are for the Royal Victoria Hospital; 4,000 tons for Dominion Tar and Chemical Company; 18,000 tons for our own use—all for steam raising.

Gas, 5,500,000,000 cu. ft.—Entire requirements of the City and District of Montreal.

Sulphate of Ammonia, 6,000 tons for fertilizer purposes in Canada.

Tar, 3,850,000 gallons for Dominion Tar and Chemical Company.

Toluol, 260,000 gallons for the Dominion Government for explosives (equivalent to 2,500 tons of T.N.T.).

Benzol, 80,000 gallons for Industrial and Chemical purposes.

Motor Benzol, 850,000 gallons.

Xylol, 80,000 gallons for Aviation Gasoline and Chemical purposes.

Other Coal Tar Distillate, 45,000 gallons.

*By Mr. Castleden:*

Q. Does that include values as well as quantity?—A. No, it does not, but I can get the values for you very easily.

Q. You have the quantity there?—A. I have the quantity, yes. The values would fluctuate just the same as the quantities, but I will give you the valuation of these quantities which I have submitted to you.

Q. While this is for Nova Scotia coal, it varies with the different types of coal?—A. This deals with Nova Scotia coal carbonized in the Atlantic plant of the Dominion Steel and Coal Corporation at Sydney, N.S. As an afterthought I prepared a comparative review of the Montreal Coke and Manufacturing Company plant, which uses 35 per cent Nova Scotia coal.

Q. Would you include values as of a certain date?—A. I will send that to the chairman.

Mr. MACNICOL: I want to ask Mr. Neate a few questions in connection with Nova Scotia coal.

The CHAIRMAN: Yes.

*By Mr. MacNicol:*

Q. What I have in mind is first the continuous employment of the Nova Scotia miners after the war as well as during the war, and to do that it will be necessary to maintain the market. Did I understand you to say, Mr. Neate, a short time ago, that during the last war the amount of coal shipped into the St. Lawrence valley, which at that time did not include Ontario, was greatly reduced?—A. Yes.

Q. One of the most important things for the federal government to do is to see that every possible method is used to retain those markets that cost the federal government so much.—A. \$18 millions.

Q. The government should do everything possible to see that the two central provinces, which are the great users of Nova Scotia coal, shall not be lost again as they were during the last war. If they are lost it will take perhaps another ten years to recover them.—A. Yes.

Q. During that time the Nova Scotia miner will suffer as he did before. Therefore one of our paramount duties is to see to it that the Nova Scotia mines shall be kept in continuous operation, and to do that we must maintain

those central markets. If the coal cannot be brought by boat up the St. Lawrence without fear of those boats being torpedoed then the government will have in some way to provide railway trains to bring that coal up. It is imperative that the markets in Central Canada shall be maintained even if it costs the government a great deal more than it does now by subvention. If those markets are lost the government will have to spend another \$18 millions after the war to regain them so it is better to spend \$10 millions now to hold them than to allow the Central Canada markets to be absorbed by our friends to the south.—A. May I make a remark?

Q. Yes.—A. The trouble to-day is that we have not got the coal for these markets. To retain that market and to retain the goodwill of the market it must be done by providing Nova Scotia coal—

Q. You won't be able to hold the market unless the people can get the coal.—A. While on that question I must say this, that due to the increased use of Nova Scotia coal within the Maritimes themselves, within the provinces, we have not sufficient coal to meet the requirements; that to-day we are moving American coal for the railways as far east as Rivière du Loup. We have not the coal to bring up, only to the extent of 1,600,000 tons, and we should like to bring up three million tons. The allocation in the Quebec market this year is 1,600,000 tons, and that is compared with the market of 1937 of 3,400,000 tons.

Q. Are the men not available?—A. No, sir; we have lost over 2,000 miners through enlistments and recruitments and the source of new labour, we will say, is fast drying up. It takes time to produce a miner. Without recruitments and men drifting to other war industries also we have lost a considerable number of miners not only out of the Nova Scotia mining field but from every coal mining field in this country.

*By the Chairman:*

Q. I should like to ask one question in furtherance of Mr. MacNicol's. You mentioned the increased use of Nova Scotia coal in the Maritime provinces.—A. Yes.

Q. Is that increased use purely for war purposes or is it an increase that will be maintained after the war?—A. No. It is a war increase.

Q. It is a war increase entirely?—A. Yes.

*By Mr. MacNicol:*

Q. There is one further question. Would it be economically sound—it would be sound in my mind, in view of all the circumstances—to give the Nova Scotia miner a personal subvention so that he could produce more coal or to encourage others to go into mining and learn how to produce coal. If we lose the market, it looks to me that it will be an economic tragedy.—A. It will be an economic tragedy.

Q. I have for years fought to have Nova Scotia coal come to Toronto. We use in Toronto about two million tons of coal a year. I have on many occasions endeavoured to persuade—and I think with some success—the Toronto Board of Education to be patriotic enough to use Nova Scotia coal in the Toronto schools. I have used it myself.

The CHAIRMAN: Did it cost them much more?

Mr. MACNICOL: I beg your pardon, Mr. Chairman?

The CHAIRMAN: Would it cost much more?

Mr. MACNICOL: No. I found it very satisfactory. I would look forward with a great deal of anxiety if anything were to interfere with or cause the loss of the Nova Scotia coal market as applied to Ontario that has taken so long to build up.—A. Prior to the war we were shipping over one million tons of Nova Scotia coal to Ontario.

Q. I had hoped to see that increased to two million.—A. We did go higher than one million. I think after the war we will be able to again reach the million odd mark in Ontario which we achieved prior to the war.

Q. One further question before we leave this subject, Mr. Neate. I beg the pardon of the gentleman behind me because I am sincerely interested in trying to increase the market of Nova Scotia coal, believing that we cannot hold this country together unless the provinces co-operate more to buy what each other has to sell.—A. That is right.

Q. Ontario should be able to and can buy millions of tons of coal from Nova Scotia. I have been trying to figure out a plan for some years for a line of ships from the Nova Scotia mines to Ontario, with perhaps some of them stopping, for example, at Port Hope, maybe Toronto, Hamilton, Port Stanley, Goderich and Owen Sound, and there put up coking plants. Nova Scotia coal could be delivered there for producing into coke. The by-products would be of very great benefit; gas would be supplied. In that way Nova Scotia would not only supply Ontario with coal; they would be supplying them with coke, some oil, gas, tar and the various by-products that come from coal. That is why I asked you to put on the record a moment ago the result of the reduction of Nova Scotia coal into coke. I can see a vast increase in Nova Scotia coal after the war. We cannot do it now, apparently.

Mr. GILLIS: It is not going to be there to get.

Mr. MACNICOL: There would be an increase of thousands more jobs for Nova Scotia miners if Ontario could take four million tons, or say three million tons of coal, instead of the present one million.

The WITNESS: The tonnage of coking coal available is very limited.

Mr. MACNICOL: Oh.

The WITNESS: A coal carbonized for coking purposes, it has to be of very low sulphur content and higher fusion ash than what you have in the Watford district and in the north Sydney district. You have the Princess, Florence and Watford mines producing an excellent coking coal. But those are areas from which you draw coking coal, even for Montreal, even to-day, and even prior to the war; I doubt very much if we could get an additional 50,000 tons of coking coal out of these mines. It is due entirely to the characteristics of the coal. The remainder of the coal which we are producing is excellent steam coal.

The CHAIRMAN: May I just say one word here. This committee, two meetings back, accepted the recommendation of the steering committee to deal with natural resources and first of all cover Nova Scotia coal. The report of the steering committee suggested that Mr. Gillis should give us all possible help in the discussion of Nova Scotia coal. We later decided to call Mr. Neate, on the suggestion of Mr. Gillis, on account of his fund of knowledge. I am just suggesting that, because some time before the day is over, I think we should have either by way of questions or by way of a statement, some of Mr. Gillis' knowledge in connection with Nova Scotia coal.

Mr. GILLIS: While you are on this point now, there are a few words I should like to say.

The CHAIRMAN: Mr. Gillis, would you come up here where everybody can hear you?

Mr. GILLIS: No. This is okay.

The CHAIRMAN: Your back is turned to some people now. Come on up here.

Mr. GILLIS: I can talk better from here. I am not going to talk very long anyway. I think at this particular point in the discussion there is something that I should bring to the attention of the committee and to Mr. Neate particularly. Mr. Neate's duties in connection with the Fuel Control Board have been marketing mostly, and he has given us a very comprehensive picture of the situation. We



know he has proved conclusively to us that we are running into exactly the same situation in this war that we ran into in the last war when we lost the Quebec market. The reason for the loss at that time was that perhaps the government did not interest themselves as actively in the problem as what they are doing at the present time. I think we can rest assured from the statement Mr. Neate gave us that their present facilities in moving coal from that area will at least guarantee the retaining of the market they have in Quebec province. Is that right?

The WITNESS: That is true.

Mr. GILLIS: You have facilities enough now to maintain that market?

The WITNESS: Not the full market. We can only bring up one million tons within this year. That is all the coal that will be allotted to the market.

Mr. BLACK: How much could Quebec have taken if Nova Scotia could have supplied it this year?

The WITNESS: Two and a half million tons.

Mr. GILLIS: Mr. MacNicol raised the question of retaining the Ontario market. What we are concerned about primarily in this committee is the situation, not only in Nova Scotia but in each and every province, as to the potential employment for men coming back from the army—where are they going to go? Where are jobs to be available for them?—having in mind that there are thousands of boys in the army who never had a job. In making the analysis of Nova Scotia we took the basic industry. We know that there are approximately 2,000 men who have enlisted from that area and have gone out of the mining industry. There are hundreds of others who have never had a job, who have left that area and expect to come back to Nova Scotia and find a job. Mr. Neate made the statement that we have not got the coal, and that is quite true. Instead of an expansion of that industry, as I see it now you are going to have a further shrinkage and there is not going to be employment for the men who left the industry or those who are coming back that never had a job. To prove that, the solution to the problem is an analysis of the industry itself, how it has been developed, what it is doing now and what its future is.

We know ourselves that all of the coal leases of that province are in the hands of one company; and I also know, having been closely associated with it, that they have not any intention of expanding that industry, having in mind the market.

Mr. MACNICOL: Would they not have to expand it to hold the Quebec market?

Mr. GILLIS: They would not have to expand it. They could retain that market with the operations they have now. Even if they closed the operation of some of the mines, with a little more mechanization they could keep their production up sufficient to maintain that Quebec market. That is the only economic market they have, and it is not economic either. It has to have some assistance.

Mr. MACNICOL: Would not the Ontario market be economic?

Mr. GILLIS: No. It has to be subsidized. It is not an economic market either. I know the basic operations there fairly well. Since 1925 the picture has changed considerably. Since 1925 a lot of the mines in Nova Scotia have been closed. They maintained their production by partial mechanization. To be specific about it, since 1925 they closed the Jubilee at Sydney Mines, with a one million dollar Bankhead.

The WITNESS: It is still there.

Mr. GILLIS: The Harbour Seam closed. You, Mr. Neate, know those mines.

The WITNESS: Yes.

Mr. GILLIS: We have other instances. There is No. 6 at Spring Hill, Nos. 21 and 22 at Birch Grove. Reserve has gone down just recently. No. 6 went down; Thorburn.

The CHAIRMAN: How many men were involved in those?

Mr. GILLIS: I imagine you would have in that whole set-up there perhaps 4,000 men involved. They did not lose production. They maintained production by partially mechanizing the remainder of the mines. The 2,000 men who actually left that industry have no place to come back to. Reserve has gone. That affected 600 men. They are partially absorbed in a little mine over at the Garder. It will take perhaps half of those that were in Reserve. It is only a surface operation. It does not amount to anything. No. 11, as you know, is partially closed. That mine, in my opinion, within another year will go out of the picture completely. It employs or did employ 900 men. In the last year there are 250 men less on the payroll of No. 11 than there were when war broke out. Most of those men have enlisted. But 2,000 men that have left that industry have no jobs to go back to. We will take the mines that are operating and the picture is as I know it. In Sydney Mines, Florence and Princess are old mines. Florence is partly worked out or worked out. It is folding up. The same applies to Princess.

Mr. MacNICOL: The coal is exhausted?

Mr. GILLIS: That is right. No. 2, one of the big producers, is practically folded up. I would say that, within three years, as far as No. 2 is concerned, it will go out of the picture as a producer. Its output has dropped about 60 per cent during the last two years. They overcame that to some extent by drifting up to the Harbour Seam and developed that. But that is not the operation they figured it would be. They ran into difficulty there. They put in a million dollar road there; that is a main haulage road. They drifted a tunnel up there a couple of thousand feet and through some fault in the bottom, that is all thrown and they are having great difficulty in maintaining the main road. That certainly has not worked out as they figured it would. No. 1 B also struck a fault. They had to change their system. All of these mines in Nova Scotia—the Allan shaft for instance which is in operation, should be abandoned. There is no doubt about that.

The WITNESS: It is a most dangerous mine there.

Mr. GILLIS: That is true. They are sitting on a powder keg all the time.

The WITNESS: That is right.

Mr. GILLIS: Taking it straight through the whole industry, Mr. Neate is quite right when he says that they have not got the coal. The reason for that is not enlistment. It is not because the men have left. It is because the whole mining industry in Nova Scotia is folding up. The present operators have not developed anything since they went in. They have no program of expansion—having the market in mind, of course. Something will have to be done by the government with respect to the reorganization of the whole industry in that province. Subsidies have worked out. There is no doubt about that. They have been of great benefit. But there is more necessary at this time, I think, if we are to employ anyone in that mining industry. I think myself what the government will have to do is to accept responsibility. There is lots of coal in the Morien area. There is unlimited coal in the Mabou area. There is Broughton. There is the Inverness, and we know what the operation is there. There are 400 men struggling on a relief basis. For several years that operation was carried on by the provincial government. The whole industry of Nova Scotia, in my opinion, is folding up; the operations are old, they are uneconomic. Transportation underground is the main item of cost, and that cannot be overcome except by new openings. I think what is needed immediately is that

some responsibility or authority should be taken by the government as was done in the case of Great Britain. They recognized the fact in Great Britain that the coal industry was a national asset, and they have taken ways and means of nationalizing the industry. They did it a few years ago—I think the effective date was July 1 this year—so that all unmined coal and metals in the old country become the property of the state; and in future any development that takes place in that industry in Britain will be handled by the state. They have complete management now of the coal industry in Great Britain. Of course, the properties that are being worked still remain in private hands, with the exception of the management. I think something like that will have to be done in Canada.

The WITNESS: They have not provincial rights in England.

Mr. GILLIS: That is true. I say it was a recognition of the fact that some control was necessary, and the British government have taken that step. We have that condition in Canada to-day, the same thing; the royalties go to your provincial governments. In Britain they supervise the operation and they have not done anything there in my opinion except that they did take a step forward in recognizing the rights of the state and the necessity for directing and controlling that industry in Britain.

I do not think the present operators are going to do anything with respect to the development of the coal industry in Nova Scotia. That development is uneconomic and they realize that; and they depend upon the government exclusively for the marketing of their coal. The federal government for the past ten years at least had been the main sales agent for Nova Scotia coal, and they have assistance to the extent of \$18,000,000. They have that equity in the industry. I think that any future development or any rehabilitation plans that we have with respect to that industry in Nova Scotia will have to be undertaken by the federal government. I believe they should go in and make an analysis. There is No. 2 mine where they are dragging coal six miles from under the Atlantic ocean. You certainly cannot mine coal on a competitive basis in Canada with operations of that kind, and mechanisation is the answer to the problem. At the same time, if mechanisation and electrification—and they would have to come together because I think that is necessary, and I think that is necessary in the industry in Nova Scotia—if mechanisation and electrification are to come then some regard will have to be had for the men who are going to be displaced by the machine. There is no doubt about it that the machine underground displaces at least 60 per cent of the men gainfully employed. I know in fact that there is a mine in operation employing about 700 men which is producing about 3,000 tons of coal per shift. If that mine were mechanised and electrified you could produce that amount of coal with about 125 men and you would have 550 men going on the road without a job. Some steps will have to be taken to take care of those men. The machine will have to be made to serve the man, because mechanisation just means unemployment.

In the United States they did solve their problem. Mechanisation and electrification in the mining industry in the United States displaced from 1934 to 1937 somewhere around 100,000 miners who were relegated to the ranks of the unemployed. Now, we have to guard against that in Canada. I say that the whole mining industry in Canada is shrinking; and instead of having to worry about marketing Nova Scotia coal in Ontario or maintaining the markets we have in Quebec, unless something is done with regard to cheapening the cost of production and unless there is some control and supervision on the part of the government itself, then I say that in the very near future the problem is not going to be a marketing problem, as far as a market is concerned, but a relief problem to take care of those who are going to be out of employment. Every one of those mines is on the way out,—every one of them without any exception—except that little one they have just developed. At the Garder—



Now, I am very glad that Mr. Neate came here because he has given us a lot of valuable information with respect to the question of markets. There is one fact we will have to recognize, and that is whether in the east or in the west our coal operations cannot be carried on on a competitive basis. This industry has to be developed as a national asset operated on the basis of the requirements of the country; markets will have to be zoned; production will have to be cut down in the way I mentioned; then care will have to be taken of the people who are displaced in the industry.

There is one thing I would like this committee to do. The economic research council in Nova Scotia have carried on a survey—I think they took Cumberland county as a model—they have gone in there with the idea of probing the whole potential possibilities of building up the coal industry with some farming and some factories, and trying to balance the economy of that particular county. They have taken that as a basis to work on with the aim in view of extending that to other sections of the province. I do not know exactly what their analysis has shown or what their findings or recommendations are; I know they are doing that work; and I think that before this committee finally completes its work we should call in someone from that economic council to give us the benefit of that survey which they have made in that province, related to the coal industry we are discussing to-day. Personally, my honest opinion is that there will never be any solution to the Nova Scotia mining problem until the leases are taken out of the hands of the people who have them now and until that industry is nationalized and operated on a basis of the needs of the country. There is no other solution to it. I think Mr. Neate is worried as far as markets are concerned on the basis of the present operation. That is over; you are not going to have to worry about that. Another year or two and it will be a matter of relief in that province unless the government accepts full responsibility for future operation and the proper development of the industry, having regard to the needs of the people in that end of the country. Speaking purely of the coal mines in Nova Scotia as a means of providing livelihood for the people, there is no job in that mining industry for any man who has left, he is going back to the ranks of the unemployed; there is no job for the hundreds of boys who have enlisted and who never had a job, and the same is true of thousands of others in other mining towns in that province; and the solution to the problem; in my opinion, will be found along the lines I have mentioned.

MR. CASTLEDEN: What is the labour situation there now?

MR. GILLIS: They have been working half time.

THE WITNESS: They worked full time last week. I hope they continue.

MR. GILLIS: The present situation is not one that you can take and analyse or relate to the future, it is an emergency; it is something we run into that cannot be helped.

THE WITNESS: It is not a fair yardstick.

MR. GILLIS: No. I think the fair yardstick would be the operation in the past, what it is to-day, and what it will be after the war in normal times, and that is the picture I tried to give you with relation to the operation itself. I have been in the mines. I know they are not developing to care for the future; they are folding up. You are not going to have any Nova Scotia coal in another five years unless something is done with respect to a more economic operation of that industry.

MR. MCKINNON: Suppose the Nova Scotia mining industry were nationalized as you suggest and modern equipment were put in, are the coal fields and the potential mines that could be developed sufficient to supply Quebec and Ontario's market?

Mr. GILLIS: Yes.

The CHAIRMAN: And they are easily reachable with mechanization?

Mr. GILLIS: Yes.

The CHAIRMAN: With further mechanization could they be put on a competitive basis?

Mr. GILLIS: Not wholly; it still would require some assistance.

The CHAIRMAN: Would the basis of assistance be larger in proportion—

Mr. GILLIS: No, much lower than at present.

Mr. McNIVEN: Are they under the ocean?

Mr. GILLIS: Yes. Nova Scotia coal is bituminous coal and it is being marketed in competition with west Virginia coal. Now, that is a particular mining operation where they can run a steam shovel into the mountain and bring out that coal and ship it and there is relatively little cost to it; our operation is a submarine one where you might drop down a shaft 1,000 feet and go out five or six miles.

The CHAIRMAN: Is it the same type of coal?

Mr. GILLIS: Pretty much the same type of coal. That is the coal we are coming into competition with. No development in Nova Scotia will put it on a competitive basis with west Virginia coal, but you would lower the cost of subventions I should say 60 per cent from what it is now by making new openings and shortening your hauls and by instituting mechanised and electrified operation underground. You would cheapen the cost, in my opinion, where it would mean to the federal government a drop of about 60 per cent in the subvention cost.

Mr. MacNICOL: Why does not the company do that; they are business men?

Mr. GILLIS: Well, I do not know why they do not do it. Another thing we have to understand is that many of the people to-day who carry on mining operations both east and west are also interested in importing coal into Ontario, and by importing coal into Ontario and selling that coal they can make more money than by mining Nova Scotia coal and shipping it in.

Mr. MacNICOL: I think we had better have the producers here and bring that all out; find out why they do not mechanise their mines and whether they have hooked up with companies in Ontario and Quebec, competing against themselves.

The CHAIRMAN: It is worth finding out.

Mr. McNIVEN: I would like to ask Mr. Gillis if the companies operating coal mines in Nova Scotia did attempt to mechanise their mines?

Mr. GILLIS: Yes, they did.

Mr. McNIVEN: What was the reaction as far as labour is concerned?

Mr. GILLIS: It is a long story, but I will give it to you briefly. This Harbour seam was mechanised at one time, it was electrified, and there was a strong protest, and rightly so, from the miners' union at that time. The operation was this: No. 2 mine was a shaft that was sunk down 1,000 feet; above that was the Harbour seam, a seam of coal 750 feet above that and 300 feet from the surface. They tapped that Harbour seam from No. 2 shaft—they drifted up to the Harbour and tapped it and developed a long tunnel there, and they completely mechanised it, and in addition to that they electrified it. Now, the basis of the protest by the miners against electrification was one of safety. It was not electrification or mechanisation that they protested against; but the Harbour seam is one of the most gassy seams in north America, perhaps. There was quite a lot of fear from the use of electrical cutting machines, and there was quite a lot of danger. They made an analysis of the gas content of that mine and found that it was about 75 per cent higher than the content in the old mine below it was after an operation of about thirty years. This mine was new, right on the

main airways—it was a new opening—and the gas content was such at that time that there was fear that there would be an explosion in that mine in a short time, and that has been borne out since. There was a long fight about that. The company protested very vigorously—the heads did—and since that time the mine has been developed, it is completely mechanised but they did not electrify it; they did not put those electrical cutting machines in, because that is where the real danger would come from. Mr. Chairman, the fact of the matter is that they have had several fires in there since. It was not mechanisation that we were protesting against; what we were protesting against was the safety angle; and that they were fully justified events which transpired since have proven.

Mr. MACDONALD: With regard to that matter of mechanisation; you are in a position to say what length of time your visible supply will last; is the utility of the mine likely to be extended by mechanisation?

Mr. GILLIS: Yes—

Mr. MACDONALD: In other words, is the coal field there sufficiently large to justify mechanisation?

Mr. GILLIS: Yes; and I think mechanisation will have to come in new companies; when they develop new mines or make new openings—

Mr. MACDONALD: What do you mean by that, do you mean in the old mines?

Mr. GILLIS: No, the old mines are getting pretty well cleaned out; what I am referring to are new openings from the top, opening up new seams or getting new openings to the old seams. I do not think it is possible to mechanise to any greater extent. Most of these mines are partially mechanised now. Naturally as you put in machines you lower the cost of operations, such as machine cutting; but I do not think it is feasible or practicable in the operations of any of the older mines that are now operating to put in any further mechanisation. Transportation underground is our main item of cost to-day, and mechanisation there would not off-set that in any way, shape or form. What I mean by mechanisation in the future industry; new developments. The old mines to-day, most of them, are on their way out, they are drawing their pillars and are on the way out so there is no potential development there.

Mr. McKINNON: Supposing the mines were nationalized and modern equipment put in, you said that subventions would drop; I presume you mean compared with the subventions on the amount of coal now being mined, that the percentage in relation to that would drop; but if through mechanization you opened up a new mine or mines and you were able to supply the total Ontario and Quebec market your subventions would naturally climb a great deal higher than they are now.

Mr. GILLIS: If you increase the market you naturally increase the subventions under present arrangements.

Mr. McKINNON: That would be the purpose, more employment on our own coal; I should imagine that would be the ultimate purpose. You have a market in Quebec now for 1,600,000 tons, and if you were going to supply that market together with Ontario you would increase that to from five to six or seven million tons.

Mr. GILLIS: There are no subventions in ordinary times on coal coming into the Quebec market. It is only since the outbreak of the war that they have brought that into effect.

The WITNESS: There is no subvention now, except on movement by rail.

Mr. GILLIS: By rail, not by boat.

The CHAIRMAN: Are there any further questions for Mr. Gillis or Mr. Neate? I would like to ask Mr. Neate whether he is in agreement with some of the statements of fact that Mr. Gillis has given to us.



The WITNESS: There is just one point I would like to reply to; that is, Mr. Gillis made the statement that we could supply Quebec and Ontario with Nova Scotia coal. We could supply part of Quebec and Ontario.

Mr. GILLIS: That is what I meant.

The WITNESS: We use in the neighbourhood of thirteen million tons of coal in both provinces, of bituminous imported.

Mr. GILLIS: I certainly didn't mean that.

The WITNESS: I did not know whether I got your drift—that we could supply both provinces. However, all of mechanization you have in the record from my early remarks. I think a complete statement—I would almost say that Mr. Gillis must have read it; but, of course, he has not seen it yet; he brings out very many of the points which I brought out earlier, and more briefly this morning. Nova Scotia mines are being mechanized to a certain extent and the operators are I think endeavouring to keep apace as far as possible by extending the use of this labour-saving machinery, and still further progress may be hoped for. There are limitations. You cannot mechanize an old mine which we will say could not be mechanized. And, again, in talking about mechanization you have to bear in mind that there is a cycle of mechanization. There is no good in saying that you have a mine mechanized because you have a coal cutter in the face; you have a complete cycle in mechanization from the face right to the tipple. You could not put depleted mines on a full mechanization basis because that is simply impossible. Then, take your competitive situation, to which Mr. Gillis referred; how can you expect to compete with imported coal from the United States when the tonnage output per man in Nova Scotia is 2.2 tons compared with an average of  $4\frac{1}{2}$  tons per man in the United States; and in some cases up in northern West Virginia the production is 10 tons per man per day. You cannot compete on that basis. I think that is one of the points I wanted to bring out from Mr. Gillis' speech.

Mr. GILLIS: Would you tell the committee something? Is there any merit to this argument that a portion of the Nova Scotia coal might be transferred to the Boston market and an equal amount taken from Pennsylvania, say, into Ontario?

The CHAIRMAN: That gets into the field of operations in another country and I think perhaps the witness should give his answer off the record.

(Discussion proceeded off the record.)

The CHAIRMAN: Any further questions?

*By Mr. Bertrand:*

Q. Is this coal moved from Nova Scotia to Pointe au Chêne by boat?—  
A. Yes, it is.

Mr. MACNICOL: I should like someone to come before us to substantiate what Mr. Gillis has said and give reasons for conditions being as they are. Mr. Gillis has painted a very black picture.

Mr. GILLIS: It is a picture that actually exists.

The CHAIRMAN: We will study that when we get together. I see four members of the steering committee here. We were trying to arrange a meeting of the steering committee but unfortunately the chairman is not present. Could we meet for about fifteen minutes at a quarter to three in room 16?

Mr. MACNICOL: Stay here for fifteen minutes.

Mr. GILLIS: Before we get away from this subject may I ask if it would be possible to get some member of the Economic Advisory Council from Nova Scotia?

The CHAIRMAN: I have made a note of that.

Mr. GILLIS: To come before the committee sometime in the future?

The CHAIRMAN: I think we can arrange that sometime in the future. Are there any more questions to put to Mr. Neate?

Mr. MACNICOL: Mr. Neate has given us a lot of valuable information.

The CHAIRMAN: Excellent.

Mr. CASTLEDEN: Would it be possible at some future time to get a report of some kind on the place of western coal in the Canadian picture?

Mr. MACNICOL: Yes.

The CHAIRMAN: After we are through with Nova Scotia.

Mr. CASTLEDEN: Sometime in the future. Even if it is not presented to the committee it might be given in the form of a report.

The CHAIRMAN: We will take it up afterwards. In the course of these two meetings and perhaps at another one we have been dealing entirely with the Nova Scotia coal and the rest of Canada only as possible markets.

Mr. MACNICOL: I hope we will be able to finish the Nova Scotia coal set-up before we start any other.

The CHAIRMAN: That is what I should like to do. If there are no further questions I will ask somebody to move an adjournment.

Mr. BLACK: Are we having a statement from Mr. Stewart, the controller?

The CHAIRMAN: I had not made any arrangements with him and did not have the pleasure of meeting him until he came into the room. Would you like to say something now, Mr. Stewart?

Mr. STEWART: What Mr. Neate has stated to the committee was gone over beforehand. I am familiar with what he said but unfortunately I was not present when Mr. Gillis made his remarks. I do not think there is anything I should like to add to what Mr. Neate has said.

The CHAIRMAN: I should like, as chairman of the committee, to express to you, Mr. Stewart, our appreciation of the great help given to this committee by Mr. Neate.

Mr. NEATE: Thank you very much.

The CHAIRMAN: A motion to adjourn will be in order.

Mr. MACNICOL: I move we adjourn.

The Committee adjourned to meet at the call of the chair.







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SESSION 1942  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

RECONSTRUCTION AND RE-ESTABLISHMENT

---

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

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MONDAY, JULY 20, 1942

OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1942







## REPORT TO THE HOUSE

MONDAY, July 20, 1942.

Your Committee appointed to study and report upon the general problems of reconstruction and re-establishment which may arise after termination of the present war presents a

### THIRD REPORT

The Committee has held sixteen meetings and has heard many witnesses. It has been supplied with reports of the studies made by the Committee on Reconstruction established by Order in Council P.C. 6874 to advise the Cabinet Committee on post-war problems.

Your Committee feels strongly that the most immediate reconstruction problem confronting Canada to-day is the creation of employment for and the settlement of returned soldiers and workers from war industry. Your Committee therefore has commenced an intensive study of Canada's natural resources for the purpose of being in position to make recommendations designed to bring about their proper utilization in such manner as will make it possible for the Government of Canada, in co-operation with provinces and municipalities, to avail itself of every opportunity to create employment for, and arrange the permanent and satisfactory settlement of, men and women discharged from our armed forces and from the Merchant Navy and workers released from industry.

Your Committee hopes to continue this study when the House meets again following the adjournment. Convinced, however, that it will be unable to complete its inquiry during the present session, your Committee recommends that a Reconstruction and Re-Establishment Committee be set up during the next Session of Parliament.

All of which is respectfully submitted.

J. G. TURGEON,  
*Chairman.*



## MINUTES OF PROCEEDINGS

MONDAY, July 20, 1942.

The Special Committee on Reconstruction and Re-Establishment met (*in camera*) this day at 10.30 o'clock, a.m. Mr. J. G. Turgeon, the Chairman, presided.

The following members were present: Messrs. Bertrand (*Prescott*), Castle-den, Gershaw, Gillis, Hill, MacNicol, McKinnon (*Kenora-Rainy River*), McNiven, Matthews, Purdy, Quelch, Ross (*Middlesex East*), and Turgeon—13.

The Chairman presented to the Committee a draft report for consideration. During discussion of this it was pointed out that Nova Scotia, New Brunswick, Quebec, Manitoba and British Columbia, have appointed committees to study reconstruction.

Mr. McNiven moved that the Report as drafted be adopted; and further, that individual members of the Committee should recommend to their respective provincial governments the advisability of appointing a body to study these problems. Also that each member of the Committee should endeavour to make as complete a personal study as possible of the resources and problems in his own province, in order to effect a more valuable consideration when the Committee resumes its inquiry after the adjournment of the House. This motion was adopted.

A memorandum submitted by Mr. J. H. Sissons, M.P., was ordered to be printed in the evidence.

The Committee adjourned at 11.00 o'clock, a.m., to meet again at the call of the Chair.

J. P. DOYLE,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

### MEMORANDUM OF J. H. SISSONS, MEMBER FOR PEACE RIVER, ON LAND SETTLEMENT IN THE PEACE RIVER COUNTRY

#### 1. *Necessity for Land Settlement Program*

It would seem advisable that a Peace River Land Settlement program should be included in Canada's Reconstruction and Re-establishment plans, for at least the following reasons:—

- (a) A large number of returned soldiers will wish to settle on the land. This is recognized and we have the Veterans' Land Act to take care of this situation in part at least. It probably does not and cannot take care of the whole situation which will exist.
- (b) There will be a considerable number of war workers who have been shifted from agriculture into industry who will desire to re-establish themselves on the land.
- (c) Before the war there was quite evident a shift of agricultural population from the Prairie Plains belt northward. The reasons given for this shift by the Rowell-Sirois report were:—

- (1) Much of the land settled there had proved sub-marginal.

- (2) Mechanization of Canadian wheat farming had greatly reduced the ratio of labour to acreage and population.

- (3) On the whole the wheat economy had reached maturity.

The result was that certain areas of the Prairie West were left with populations which were excessive in relation to their resources. There is every reason to believe that this trend will continue and that some resettlement must be provided for.

- (d) It may be advisable for national reasons to take care of some agricultural immigration from Great Britain and the United States after the war.
- (e) There is also the normal surplus population of the older agricultural areas to be taken care of.

If these land seeking requirements are to be successfully met all our available land resources, both in private hands and subject to sale or still in the name of the Crown, will be needed.

The undeveloped agricultural lands will certainly be needed.

#### 2. *Peace River only important area available*

According to the Rowell-Sirois report "Alberta possesses the last important undeveloped agricultural frontier in Canada". That frontier is for the most part in the Peace River country.

As Professor C. A. Dawson points out in "Canadian Frontiers of Settlement":—

There is much more land to be settled in the Peace River country.

Only a portion of the estimated potential agricultural land is now occupied, and it is inevitable that our surplus agricultural population will seek to occupy the land which remains.

A conservative estimate of the suitable agricultural land still available for settlement in the Peace River country proper is 8,000,000 acres.

It is submitted that the orderly and planned settlement of that land should be part of the Reconstruction and Re-Establishment program.

### 3. *Planned Settlement*

There need be nothing haphazard about Peace River land settlement. A good foundation for orderly and planned settlement has been laid.

The plan for soldier settlement is set out in the Veterans' Land Act.

So far as other settlement is concerned this will be subject to Provincial legislation. The lands in Alberta, and this will include the major portion of the Peace River country, will come under the Provincial Lands Act of Alberta.

This Act was passed in 1939 and abolishes the homestead system and substitutes a lease system. Some of the main provisions of that Act are as follows:

A person, male or female, who is not the owner of a farm and is 18 years old may lease from the Government 320 acres of adjoining agricultural lands of which at least one-half the acreage is suitable for cultivation.

The term is for 20 years with the privilege of renewing for further periods of 20 years provided not in default.

There may be included in the lease an agreement for purchase of the lands after the lease has been in force for at least 10 years and in good standing at a sale price fixed when the lease is granted.

The lessee is required to reside on the land for at least six months of each year and must within 5 years erect a habitable dwelling house.

He must break, cultivate and summerfallow in each year and he may be required to adopt methods of farming deemed necessary to prevent soil drifting and he may be required to preserve trees for shelter and other purposes.

The lease may after two years be assigned with permission.

The rental is fixed by the lease and is usually a share of the crop.

The Alberta Government has adopted a policy of classifying lands for the purpose of utilizing them for the purpose for which they are best adapted and prescribes conditions under which areas are thrown open for settlement and withholds from leasing lands in remote districts or land of doubtful classification of the soil.

Detailed studies have been made by various agencies of settlement conditions in the Peace River country and soil surveys made of different areas and this work is still being carried on at the present time by both the Federal and Provincial Governments.

The preparatory work which has been and is being done would appear to be of great value towards a successful settlement program.

However, there are still serious limitations and problems which must be frankly faced.

### 4. *Limitations and Problems*

There are three major problems which handicap successful Peace River settlement:—

- (a) An assured market for agricultural products at a fair price. This is the common problem of all agricultural areas.
- (b) The greater part of the lands still unsettled are first class and second class wooded soils. These require clearing and it has been established that the most efficient and economical way to do this clearing is by large mechanized equipment. It would not pay the individual settler to purchase such equipment. This should be done by the Federal Government where the land is being sold under the Veterans' Land Act, or by the Provincial Government where the land is being leased to the settler.
- (c) Railways and highways are essential to successful settlement, and the areas where the best of the new land is available possess neither.

If there is to be settlement there must also be railway development: the two must go hand in hand.









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